

July 2008

STATE DEPARTMENT

Comprehensive Strategy Needed to Improve Passport Operations

This report was revised on July 28, 2008, because figure 2 on page 10 (Passports Issued, Fiscal Years 1997 through 2007) was the incorrect graphic. The graphic for figure 2 has been replaced with the correct one; no text changes were made.





Highlights of [GAO-08-891](#), a report to congressional requesters

Why GAO Did This Study

In 2007, following the implementation of new document requirements for travelers entering the United States from within the Western Hemisphere, the Department of State (State) received a record number of passport applications. In June 2009 further document requirements are scheduled to go into effect and will likely lead to another surge in passport demand. GAO examined (1) the extent to which State was prepared for the surge in passport demand and how its readiness affected passport operations, (2) State's actions to increase passport production capacity in response to the surge, and (3) State's readiness for near-term surges in demand and its strategy to improve passport operations. GAO interviewed officials from State and the Departments of the Treasury and Homeland Security, conducted site visits, and reviewed data on passport processing times and reports on passport operations.

What GAO Recommends

GAO recommends that the Secretary of State develop a comprehensive, long-term strategy for passport operations using a business enterprise approach to prioritize and synchronize its planned improvements. GAO also recommends that State track passport applications from the time the applicant submits an application in order to provide better customer service. State took issue with some of the findings in this report, but agreed with its recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-891](#). For more information, contact Jess T. Ford at (202) 512-4128 or fordj@gao.gov.

STATE DEPARTMENT

Comprehensive Strategy Needed to Improve Passport Operations

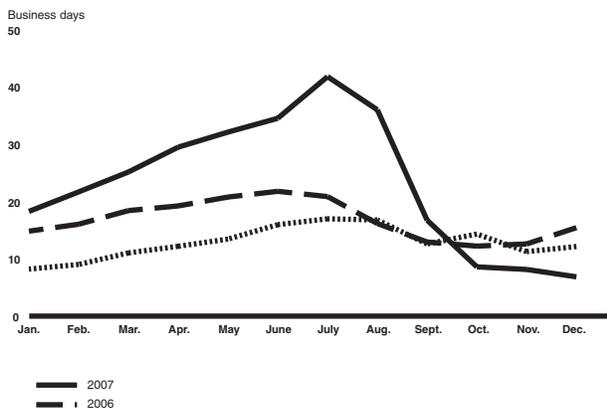
What GAO Found

State was unprepared for the record number of passport applications it received in 2007, leading to significant delays in passport processing. State underestimated the increase in demand and consequently was not able to provide enough notice to the financial agent it uses for passport application payment processing for the agent to prepare for the increased workload, further adding to delays. As a result, reported wait times reached 10 to 12 weeks in the summer of 2007—more than double the normal wait—with hundreds of thousands of passports taking significantly longer. State had difficulty tracking individual applications and failed to effectively measure or communicate to applicants the total expected wait times, prompting many to re-apply and further straining State's processing capacity.

State took a number of emergency measures and accelerated other planned efforts to increase its passport production capacity in 2007. For example, to help adjudicate passports, State established four adjudication task forces and deployed passport specialists to U.S. passport agencies severely affected by the surge. In addition, State accelerated hiring and expansion efforts. As a result of these efforts and the normal seasonal decline in passport applications, wait times returned to normal by October 2007. According to State estimates, these emergency measures cost \$42.8 million.

Although State has taken steps to improve its ability to respond to near-term surges in passport demand, it lacks a comprehensive strategy to improve long-term passport operations. State previously identified several deficiencies limiting the efficiency and effectiveness of passport operations, such as reliance on a paper-based work flow and ineffective communications, and these deficiencies were exposed by State's response to the surge. While State also identified a framework to guide its modernization efforts, it does not have a comprehensive plan to prioritize and synchronize improvements to its passport operations. A comprehensive strategy for making these improvements—for example, using a business enterprise approach—would better equip State to handle a significantly higher workload in the future.

Average Routine Passport Processing Time, 2005-2007



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List of Abbreviations

CA	Bureau of Consular Affairs, Department of State
DHS	Department of Homeland Security
FMS	Financial Management Service, Department of the Treasury
NPIC	National Passport Information Center
USPS	United States Postal Service
WHTI	Western Hemisphere Travel Initiative

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United States Government Accountability Office
Washington, DC 20548

July 25, 2008

The Honorable Bill Nelson
Chairman, Subcommittee on International Operations and
Organizations, Democracy and Human Rights
Committee on Foreign Relations
United States Senate

The Honorable Thomas Reynolds
House of Representatives

In early 2007, the Department of State (State) received a record number of passport applications, resulting in lengthy delays in passport issuances, which inconvenienced thousands of Americans. State officials have said that this surge in passport demand was largely a result of the January 23, 2007, implementation of the first phase of the Western Hemisphere Travel Initiative (WHTI), which established new document requirements for travelers entering the United States by air. Although State initially budgeted about \$185 million to issue an estimated 15 million passports in fiscal year 2007, it received roughly 18.6 million passport applications during this period.

The second phase of WHTI implementation—which establishes new document requirements for travelers entering the United States by land or sea and is scheduled to go into effect in June 2009—will likely lead to another surge in passport demand. In addition, State began issuing a passport card, which is intended to be a lower-cost alternative to the passport book, in July 2008. The availability of the passport card may also lead to greater passport demand in the near future, as the card is expected to serve as a convenient form of identification for citizens living in border communities who travel frequently between the United States and Canada or Mexico.

You have expressed interest in State's efforts to determine its workload and plan for another large surge in demand. We reviewed (1) the extent to which State was prepared for the surge in passport demand in 2007 and how State's readiness affected passport operations, (2) how State increased its passport production capacity in response to the 2007 surge, and (3) State's readiness for near-term surges in demand and whether State has a comprehensive strategy in place to improve long-term passport operations.

To accomplish our objectives, we reviewed passport issuance, staffing, and processing time data through May 2008. In addition, we reviewed State reports on passport demand estimates, lessons learned from the 2007 surge in passport demand, and the future of passport operations. We also analyzed surveys used by State to estimate passport demand in 2007 and 2008. We observed passport operations and interviewed U.S. government officials at six U.S. passport agencies—Hot Springs, Arkansas; Charleston, South Carolina; Houston; New Orleans; New York; and Washington. We selected these locations based on the size of their workload and geographic diversity. We also interviewed officials from State’s Bureau of Consular Affairs (CA), the Department of Homeland Security (DHS), the Department of the Treasury’s Financial Management Service (FMS),¹ and State contractors involved in the passport operations.

We conducted this performance audit from August 2007 through July 2008 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 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. Appendix I contains a more detailed description of our scope and methodology.

Results in Brief

State was unprepared for the record number of passport applications it received in 2007, leading to significant delays in passport processing. Although State had anticipated an increase in passport applications due to new document requirements for travelers entering the United States from Canada, Mexico, and the Caribbean, State underestimated the magnitude of this increase in demand. Because State was unable to accurately estimate the increase in applications, it was unable give enough notice to the financial agent that it uses for passport application payment processing for the agent to prepare for the increased workload. Thus, the financial agent was insufficiently staffed and equipped to handle the initial surge in applications, further contributing to delays. While State’s goal for routine passport processing times was approximately 5 weeks at the beginning of 2007, reported wait times rose to between 10 and 12 weeks in June 2007, with hundreds of thousands of passports taking significantly

¹Treasury oversees all financial agents of the government it designates, including the one responsible for passport application data entry and payment processing.

longer. According to passport agency officials, these delays disrupted the travel plans of and otherwise inconvenienced thousands of Americans. Many applicants who were unable to receive timely, accurate information on the status of their passport application drove hundreds of miles or took flights to retrieve their passports at the passport agencies, leading to long lines and crowded waiting rooms at these facilities. At some passport agencies, applicants waited in line outside for up to 6 hours before entering the facility. Contributing to this problem was State's difficulty in tracking the status of individual passport applications and failure to measure and effectively communicate applicants' total wait times. Because applicants found it difficult to get accurate information from State on the status of their applications, tens of thousands reapplied for passports, further straining State's passport processing capacity.

State employed a number of emergency measures and accelerated other planned efforts to increase its passport production capacity in 2007. State undertook short-term measures to temporarily augment its passport staffing and to bolster customer service functions and contractor operations. To help adjudicate passports, State established adjudication task forces in Washington, D.C.; Portsmouth, New Hampshire; and New Orleans, Louisiana; these task forces were staffed by Foreign Service officers, Presidential Management Fellows, retirees, and others. It also deployed teams of passport specialists to passport agencies severely affected by the surge in passport demand. Consular officers at nine overseas posts adjudicated passports remotely, using electronic files. State also installed additional telephone lines at its customer service center and set up a task force in Washington, D.C., for congressional calls as well as task forces in Washington, D.C., Kentucky, and Florida to field calls from the general public. In addition, in coordination with State, Treasury amended the terms of the memorandum of understanding with its financial agent responsible for passport application data entry and payment processing, to increase the agent's capacity to handle applications at its lockbox facility. State also accelerated efforts to hire more permanent staff and open a new passport printing facility. Domestic passport agencies also undertook specific actions to improve operations, including implementing software and tracking systems to more efficiently process applications. State's actions, combined with the normal seasonal decline in passport applications, helped to reduce wait times to 4 to 6 weeks by October 2007. According to State's estimates, these and other such measures cost the department \$42.8 million—for overtime pay for staff, travel for temporary duty staff, and other additional costs such as telephone services for its call centers.

Although State has taken steps to improve its ability to respond to future surges in passport demand in the near term, it does not have a comprehensive strategy in place to improve overall passport operations. In 2007, State contracted for a new demand study that surveyed a broader population of potential travelers and made other methodological improvements over its previous demand study; however, estimating passport demand with precision remains very challenging due to periodic changes in regulations, economic conditions, and other factors. To prepare for future demand, State has increased staffing, opened new facilities, and made other improvements to individual components of its passport operations. Nonetheless, State has not fully addressed high-level strategic issues related to its passport operations. A 2005 study commissioned by the department to examine passport practices and identify procedural improvements identified several deficiencies limiting the efficiency and effectiveness of passport operations. These deficiencies included reliance on a manual, paper-based work flow and ineffective communications. The study also recommended several potential improvements in State's passport processes, such as increasing management's visibility over the entire issuance process, including over partner organizations, and enhancing State's passport Web site to allow customers to submit applications and monitor their status online. While this study provides a framework to guide State's modernization efforts, State does not have a comprehensive plan to prioritize and synchronize improvements to its passport operations. We have previously reported that using an enterprise approach—including developing a concept of operations to describe how all of an agency's business processes should be carried out—would enable that agency to develop and prioritize more efficient processes that support its overarching needs, rather than distinct and discrete processes supporting the agency's individual components. By developing and implementing a comprehensive strategy to coordinate its passport operations using an enterprise approach, State will be better equipped to effectively and efficiently handle increased workload in the future.

We recommend that the Secretary of State develop a comprehensive, long-term strategy for passport operations using a business enterprise approach to prioritize and synchronize the department's planned improvements to passport operations. Specifically, State should develop and fully implement a concept of operations document that describes its desired end state and addresses how it intends to transition from the current state to this end state. We are also recommending that State begin tracking individual passport applications from the time a customer submits an application in order to maintain better visibility over the passport process

and provide better customer service to passport applicants. In commenting on a draft of this report, State concurred with our recommendations, but expressed disappointment at our finding that the department lacks a comprehensive strategy to improve its passport operations. We have reprinted State's comments in appendix II. Additionally, State and Treasury provided technical comments and updated information, which we have included throughout this report as appropriate.

Background

A passport is an official government document that certifies an individual's identity and citizenship and permits a citizen to travel abroad. According to State, many people who have no overseas travel plans have applied for a passport because it is viewed as the premier citizenship and identity document, which allows the bearer to board an airplane, prove citizenship for employment purposes, apply for federal benefits, and fulfill other needs not related to international travel. Under U.S. law, the Secretary of State has the authority to issue passports, which may be valid for up to 10 years. Only U.S. nationals may obtain a U.S. passport,² and evidence of nationality is required with every passport application.

State Passport Operations

The Deputy Assistant Secretary for Passport Services oversees the Passport Services Office, within State's Bureau of Consular Affairs. Passport Services, the largest component of Consular Affairs, consists of five headquarters offices: Field Operations, Technical Operations, Passport Integrity and Internal Controls Program, Planning and Program Support, and Legal Affairs and Law Enforcement Liaison. In addition to these headquarters offices, State operates 17 passport issuing agencies in Aurora, Colorado; Boston; Charleston, South Carolina; Chicago; Honolulu; Houston; Los Angeles; Miami; New Orleans; New York; Norwalk, Connecticut; Philadelphia; Portsmouth, New Hampshire; San Francisco; Seattle; and two offices in Washington, D.C.—a regional passport agency and a special issuance agency that handles official U.S. government and

²National means a citizen of the United States or a noncitizen owing permanent allegiance to the United States.

diplomatic passports.³ State also opened new passport production facilities for the personalization of passport books in Hot Springs, Arkansas, in March 2007 and in Tucson, Arizona, in May 2008.

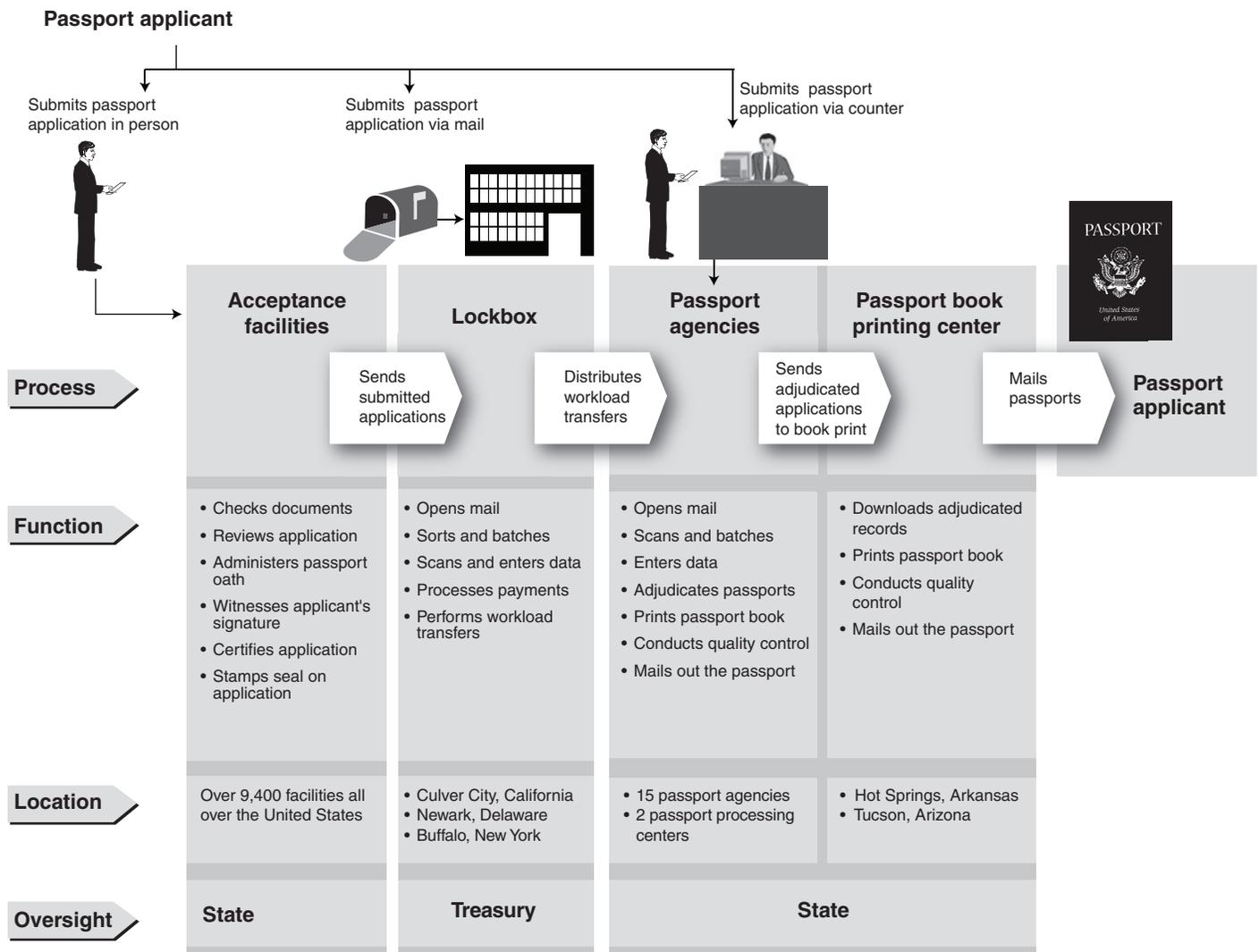
As of May 2008, State employed more than 3,300 government and contract staff to receive, process, and adjudicate passport applications and print and mail out passport books. This number of staff has risen dramatically in recent years to handle the increased number of passport applications. Between October 2006 and May 2008, the number of passport specialists—staff responsible for approving and issuing most U.S. passports—more than doubled, to 1,353. In addition, State’s passport agencies employ roughly 1,500 staff as contractors, who perform nonadjudicative support functions such as data entry, printing, and mailing out passports. Separately, as of May 2008, State also employed about 600 full- and part-time staff at the National Passport Information Center (NPIC), which handles customer service inquiries from the public.

³Fifteen of these offices are regional passport agencies that process in-person applications in addition to applications received by mail. The remaining two facilities—Charleston, South Carolina, and Portsmouth, New Hampshire—are mega processing centers with no access to the public. In this report, we refer to these facilities collectively as passport agencies.

Passport Application Process

Figure 1 summarizes the passport application process, from the submission of an application at an acceptance facility or by mail, through payment processing and basic data entry at lockbox facilities operated by the financial agent, to adjudication and printing at passport agencies around the country.

Figure 1: Passport Application, Adjudication, and Production Process



Source: GAO.

Acceptance

State is authorized to designate acceptance facilities—in addition to its own passport agencies—to provide passport execution services to the American public. The majority of passport applications are submitted by mail or in person at passport application acceptance facilities nationwide. Passport acceptance facilities are located at certain U.S. post offices, courthouses, and other institutions and do not employ State personnel. The passport acceptance agents at these facilities are responsible for, among other things, verifying whether an applicant's identification document (such as a driver's license) actually matches that applicant. These agents collect the application package, which includes the passport application, supporting documents, and payment, and send it to State's centralized lockbox facility.

According to State, the number of active acceptance facilities changes frequently as new facilities are added and others are dropped. In recent years, State has expanded its network of acceptance facilities to accommodate increasing passport demand. As of June 2008, there were over 9,400 such facilities nationwide, an increase from fewer than 7,000 facilities in March 2005.

Lockbox

Passport acceptance agents send application packages to a lockbox facility operated by a Treasury financial agent. The lockbox is responsible for opening and sorting passport application packages, verifying the completeness of the packages, processing payments, and batching the applications.⁴ In addition, lockbox staff scan the first page of the passport application, along with the payment check or money order, and apply a processing date to the application. Once data on the application are captured by software using character recognition and confirmed manually by data entry staff, the information is transferred to a server, which passport agencies can access to download into their passport issuance system. The physical passport application, along with supporting documents such as a birth certificate, is also sent via courier to a passport agency. The lockbox generally performs all application processing functions within 24 hours of receipt of the application from an acceptance facility.

⁴Batch processing involves grouping 20 to 40 applications in a batch box, by application type (Routine or Expedite), and then electronically assigning a batch number in order to facilitate application tracking.

Adjudication, Personalization, and Delivery

Once a passport application has been received by one of the passport agencies, it is examined by a passport specialist who determines, through a process called adjudication, whether the applicant should be issued a passport. Adjudication requires the specialist to scrutinize identification and citizenship documents presented by applicants to verify their identity and U.S. citizenship. It also includes the examination of an application to detect potential indicators of passport fraud and the comparison of the applicant's information against databases that help identify individuals who may not qualify for a U.S. passport. When passport applications are submitted by mail or through acceptance facilities, specialists adjudicate the applications at their desks. A relatively small number of passport applications are submitted directly by applicants to one of the passport agencies. Applicants are required to demonstrate imminent travel plans to set an appointment for such services at one of the issuing agency's public counters. "Counter" adjudication allows specialists to question applicants directly or request further information on matters related to the application, while "desk" adjudication requires contacting the applicants by telephone or mail in such cases.⁵ Once an applicant has been determined eligible for a passport by a passport specialist, the passport is personalized with the applicant's information at the passport agency or one of the centralized printing facilities and then delivered to the applicant.

Customer Service

The National Passport Information Center, located in Dover, New Hampshire, and Lansing, Michigan, is State's centralized customer service center. NPIC is a contractor-operated center that provides information and responds to public inquiries on matters related to passport services. Linked electronically to all passport agencies, NPIC provides an automated telephone appointment service that customers can access nationwide 24 hours a day and an online service for customers to check the status of their applications. A separate telephone number and e-mail address are dedicated for congressional staff inquiries.

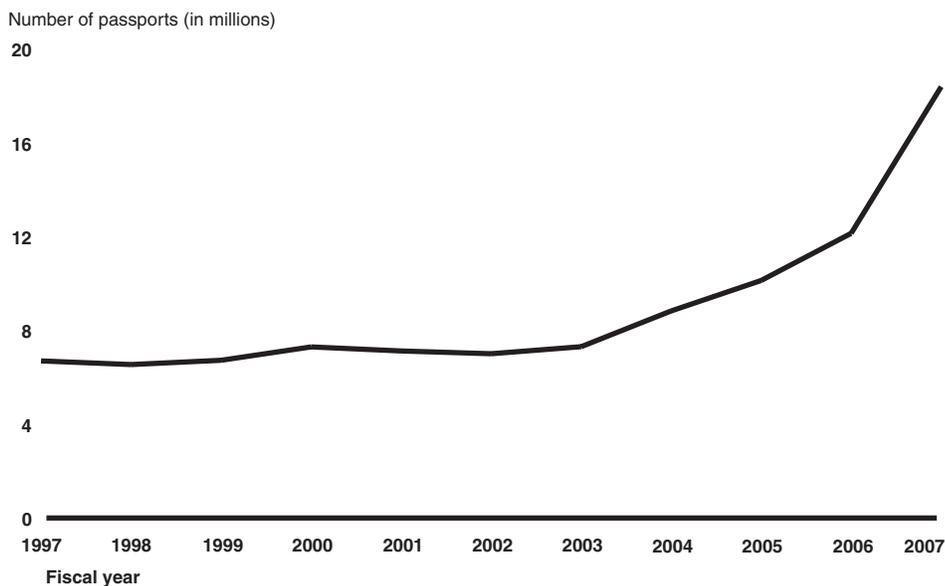
Historical Passport Trends

State has experienced a tremendous increase in the number of passports it processes in recent years. Between 2004 and 2007, the number of passports issued more than doubled to nearly 18.5 million passports (see

⁵Applications accepted and adjudicated at the counter also undergo a number of desk adjudication steps to complete the fraud detection process before the specialist decides whether to approve each passport.

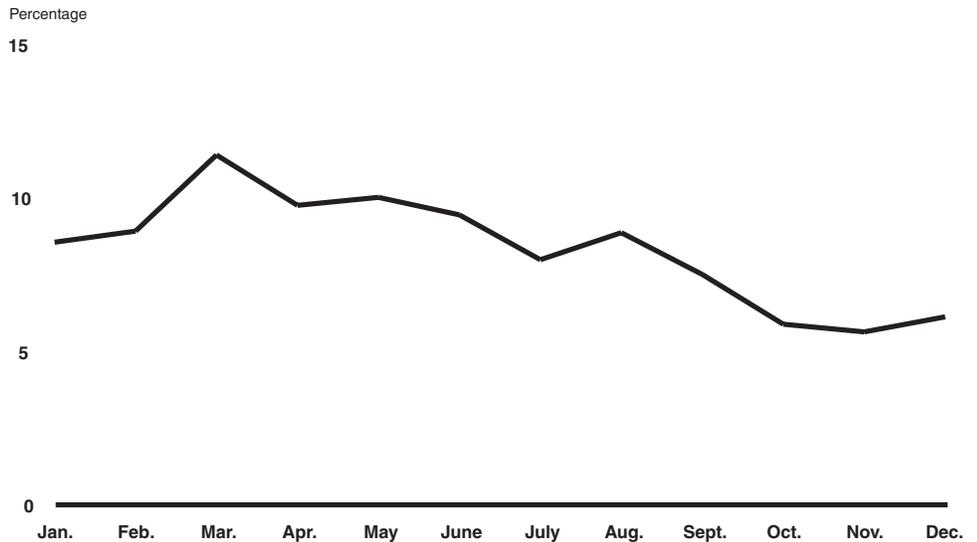
fig. 2). This rate of increase far surpasses historical trends—a 2005 study on passport operations noted that the number of passports issued in the 30 years between 1974 and 2004 increased just 72 percent. Demand for passports is seasonal in nature, with applications usually peaking between January and April, as the public prepares for spring and summer vacations, and then falling off from September through December (see fig. 3). In estimating future demand for passports, State factors in this seasonality.

Figure 2: Passports Issued, Fiscal Years 1997 through 2007



Source: GAO analysis of State data.

Figure 3: Percentage of Passport Applications Received by Month



Source: GAO analysis of State data.

Note: These percentages are used by State for planning purposes.

According to State data, about 28 percent of the U.S. population has a passport, with 85.5 million U.S. passports in circulation as of February 2008. Of these, more than 24 million will expire in the next 5 years.⁶ State noted that the number of people applying for passport renewal varies depending on the laws and regulations in effect, the economy, and other factors. In addition, people may apply for a passport renewal before their book expires or up to 5 years after it expires.

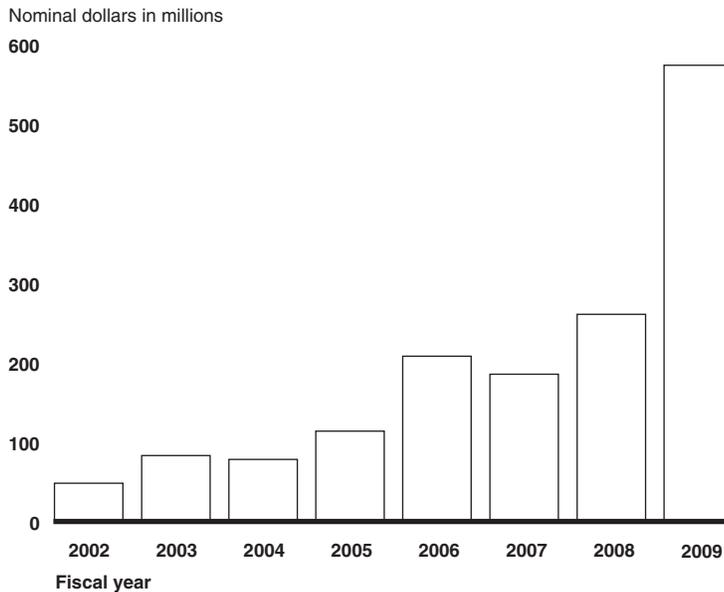
In response to this rapid increase in demand for passports, State's requested budget for passport activities has increased tenfold since 2002 (see fig. 4). This request is part of State's Border Security Program, which includes funding for passport operations, systems, and facilities. The Border Security Program is funded through a combination of Machine Readable Visa fees,⁷ the Western Hemisphere Travel surcharge, Enhanced

⁶For individuals 16 or older, a regular U.S. passport issued on or after February 1, 1998, is valid for 10 years from the date of issue; it is valid for 5 years for younger applicants.

⁷The Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, authorizes State to charge a fee for processing machine readable nonimmigrant visas and to deposit such fees as offsetting collections to any department appropriation to recover the costs of providing consular services.

Border Security Program fees, and Fraud Prevention fees, as well as through appropriated funds. The majority of this funding comes from the Machine Readable Visa fees, which amounted to nearly \$800 million of the Border Security Program budget in fiscal year 2007. State also collects fees for expedited passports and the Passport Security surcharge.

Figure 4: Passport Operations, Systems, and Facilities Budget Request, Fiscal Years 2002-2009



Source: GAO analysis of State data.

Note: In December 2007, State revised its spending plan for passport operations in fiscal year 2008, resulting in a new request totaling \$460 million.

New Regulations for Travel Documents Contribute to Increase in Passport Demand

The increased demand for passports is primarily the result of WHTI, DHS's and State's effort to specify acceptable documents and implement document requirements at 326 air, land, and sea ports of entry.⁸ When fully implemented, WHTI will require all citizens of the United States and nonimmigrant citizens of Canada, Mexico, and Bermuda to have a passport or other accepted travel document that establishes the bearer's identity and citizenship to enter or re-enter the United States at all ports of entry when traveling from within the Western Hemisphere. Prior to this legislation, U.S. citizens did not need a passport to enter the United States if they were traveling from within the Western Hemisphere, except from Cuba.⁹

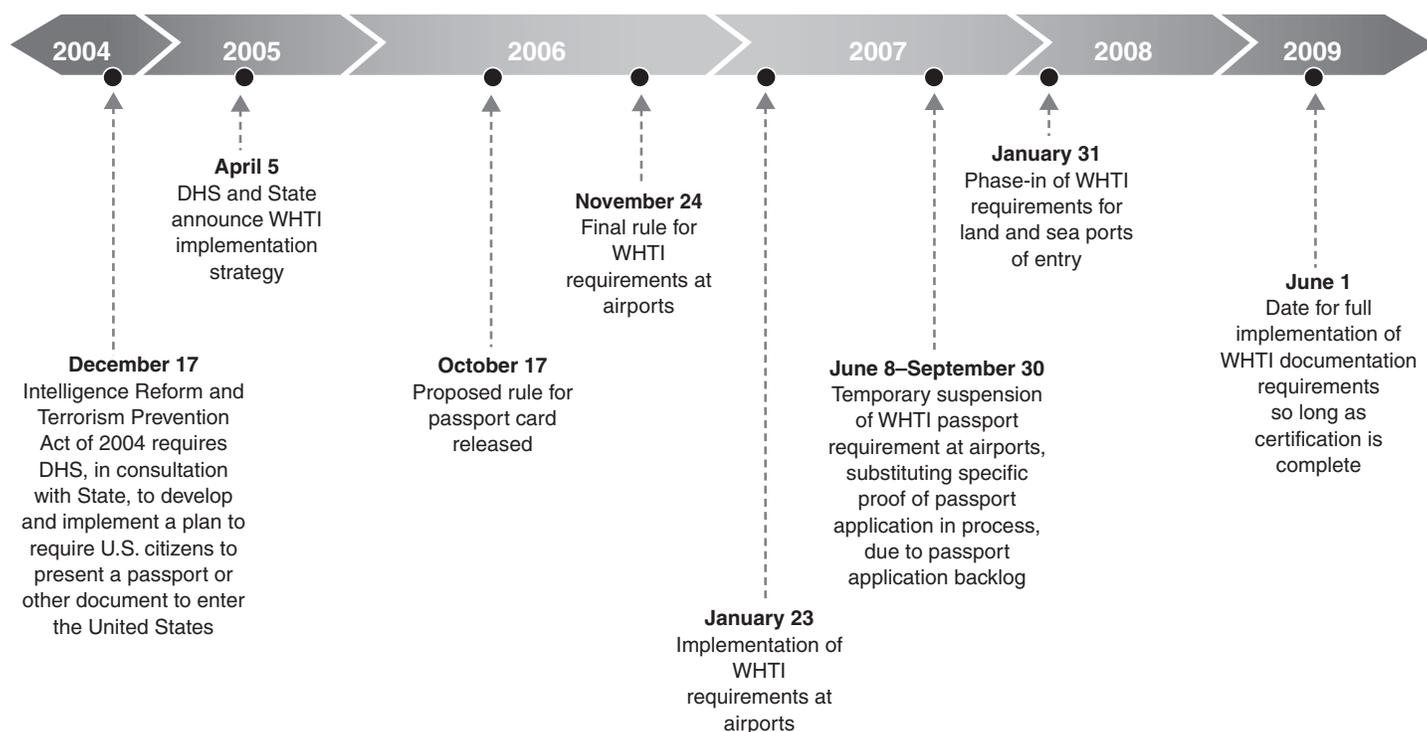
DHS is implementing WHTI in two phases: first, for air ports of entry, and second, for land and sea ports of entry (see fig. 5). On January 23, 2007, DHS implemented WHTI document requirements at air ports of entry. On January 31, 2008, DHS began implementing the second phase of WHTI at land and sea ports of entry by ending the routine practice of accepting credible oral declarations as proof of citizenship at such ports. DHS is required by law to implement WHTI document requirements at the land and sea ports of entry on the later of two dates: June 1, 2009, or 3 months

⁸To help provide better assurance that border officials have the tools and resources to establish that people are who they say they are, as called for in the *9/11 Commission report* (U.S. National Commission on Terrorist Attacks Upon the United States, *The 9/11 Commission Report* [Washington: Government Printing Office, 2004]), the Intelligence Reform and Terrorism Prevention Act of 2004, as amended, requires the Secretary of Homeland Security, in consultation with the Secretary of State, to develop and implement a plan that requires a passport or other document or combination of documents that the Secretary of Homeland Security deems sufficient to show identity and citizenship for U.S. citizens and citizens of Bermuda, Canada, and Mexico when entering the United States from within the Western Hemisphere. For the purposes of WHTI, the Western Hemisphere is defined as North, Central, and South America and associated islands and waters. (Pub. L. No. 108-458, § 7209, 118 Stat. 3638, 3823 (2004).)

⁹While U.S. citizens entering the United States have always been required to satisfy the inspecting officers of their identity and citizenship, U.S. citizens who depart from or enter the United States from within the Western Hemisphere other than from Cuba have historically been exempt from the passport requirement. In lieu of a passport, travelers claiming U.S. citizenship long have been permitted to enter on an oral declaration or to present a variety of documents, such as a driver's license, to establish their identity and citizenship and right to enter the United States.

after DHS and State certify that certain implementation requirements have been met.¹⁰

Figure 5: Timeline of WHTI Implementation



Source: GAO.

During the 2007 surge in passport demand, due to the passport application backlog, certain WHTI requirements were suspended. Specifically, on June 8, 2007, State and DHS announced that U.S. citizens traveling to Canada, Mexico, the Caribbean, and Bermuda who have applied for but not yet received passports could temporarily enter and depart from the United

¹⁰Section 545 of the Consolidated Appropriations Act amends §7209(b)(1) of the Intelligence Reform and Terrorism Prevention Act of 2004 stating that the WHTI plan may not be implemented earlier than the date that is the later of 3 months after the Secretary of State and the Secretary of Homeland Security make the certification required, or June 1, 2009 (Consolidated Appropriations Act, 2008, Pub. L. No. 110-161, §545, 121 Stat. 1844, 2080). For more information on the implementation of WHTI, see GAO, *Observations on Implementing the Western Hemisphere Travel Initiative*, [GAO-08-274R](#) (Washington, D.C.: Dec. 20, 2007).

States by air with a government-issued photo identification and Department of State official proof of application for a passport through September 30, 2007.

Passport Card

In October 2006, to meet the documentation requirements of WHTI and to facilitate the frequent travel of persons living in border communities, State announced plans to produce a passport card as an alternative travel document for re-entry into the United States by U.S. citizens at land and sea ports of entry.¹¹ The passport card is being developed as a lower-cost means of establishing identity and nationality for American citizens and will be about the size of a credit card. Individuals may apply for either a traditional passport book or a passport card, or both. Applications for the passport card will undergo the same scrutiny and security checks as applications for the traditional passport book, and the card will incorporate security features similar to those found in the passport book. State began accepting applications for the passport card in February 2008 and began producing the card in July 2008. State and other officials have suggested that the availability of the passport card may generate additional demand, as individuals may apply for a card for identification for nontravel purposes, such as voting.

¹¹The passport card will not be valid for entering the United States by air.

State Was Unprepared for 2007 Surge in Passport Demand, Leading to Lengthy Wait Times for Applicants

State was unprepared for the record number of passport applications it received in 2007 because it underestimated overall demand for passports and did not anticipate the timing of this demand. Consequently, State struggled to process this record number of passports, and wait times rose to record levels.¹² State's efforts to respond to the demand for passports were complicated by communications challenges, which led to large numbers of applicants being unable to determine the status of their applications.

State Was Unprepared for Record Number of Passport Applications in 2007

State's initial estimate for passport demand in fiscal year 2007, 15 million applications, was significantly below its actual receipt of about 18.6 million passport applications, a record high. Because of its inability to accurately determine the increase in applications, State was unable to provide revisions in its estimates to the lockbox financial agent in enough time for the lockbox to prepare for the increased workload, leading to significant backlogs of passport applications.

State Underestimated Demand for Passports

State was largely unprepared for the unprecedented number of passport applications in 2007 because it did not accurately estimate the magnitude or the timing of passport demand. In January 2005, State estimated that it would receive 15 million passport applications in fiscal year 2007—about 44 percent more than it received in fiscal year 2005. However, actual receipts totaled about 18.6 million applications in fiscal year 2007, about 23 percent more than State had originally estimated. According to State

¹²In this report, we use the term "wait time" to refer to the time it takes an applicant to receive his or her passport from the time he or she applied. We also use the term "processing time," based on State's measure of passport aging, which is intended to quantify the period beginning when a passport office receives a passport application from the lockbox facility, batches it, and enters it into State's Travel Document Information System, and ending when the passport is mailed to the applicant. While "wait time" is at best an estimate of an applicant's total expected wait time, "processing time" is intended to measure the actual time an application takes to be adjudicated and the passport to be printed, but does not include the time it takes an application to be sent from an acceptance agent to the lockbox facility or from the lockbox facility to a passport office, or the time it takes to mail the passport back to an applicant. According to State officials, because there is no formal procedure for calculating wait times, estimates are developed by adding 2 weeks (for mailing and lockbox processing) to processing times. State generally provides wait times in weeks, while processing times are measured in business days. We have converted processing times into weeks based on a 5-business day week. Unless otherwise noted, in this report wait times and processing times refer to routine, nonexpedited passport applications.

officials, planning efforts to respond to increased demand are predicated on demand estimates, highlighting the need for accurate estimates.

Limitations in the survey methodology used by State's contractor responsible for collecting survey data on passport demand contributed to State's underestimate.¹³ State based its estimate partly on a survey of an unrepresentative sample of land border crossers.¹⁴ This survey initially estimated an increase over the baseline demand for passports of more than 4 million applications in fiscal year 2007 due to implementation of the first phase of WHTI. However, our analysis of the survey methodology found several limitations. First, the survey was conducted in July 2005, over a year before the beginning of fiscal year 2007 and roughly 2 years before the peak of the surge in demand. According to contractor officials, many respondents have a limited ability to estimate their likely travel plans that far in advance.¹⁵ Moreover, State officials noted that travel document requirements were changed several times by Congress and by regulation between 2005 and 2007, likely affecting passport demand. Second, the 2005 survey did not estimate total passport demand because it did not collect new data on air and sea travelers. Third, the survey was unable to provide estimates on when the increased demand would occur. To refine its estimate, State adjusted the figures provided by the survey by using monthly application trends from previous years. According to these trends, State expected to receive 4.7 million passport applications in the first 3 months of 2007. However, demand for passports in 2007 did not follow previous seasonal trends, and State ultimately received about 5.5 million applications during those first 3 months. According to the then-Assistant Secretary for Consular Affairs, this unprecedented level of demand in a compressed period contributed to State's inability to respond to demand.

¹³According to the Assistant Secretary of State for Consular Affairs, the contractor's data were one of several sources used to project increases in passport demand due to WHTI, and State staff made the final projections.

¹⁴The survey was based on face-to-face interviews at 14 border crossing sites on the Canadian and Mexican borders (an additional 2 sites refused to participate) between 8:00 a.m. and 5:00 p.m. during a 2-week period in the summer. Therefore, the survey's results cannot be generalized to any other ports, other times of day, other times of year, or any air and sea travelers.

¹⁵Other challenges to accurately estimating passport demand are discussed later in this report.

State Did Not Communicate Effectively with the Lockbox Facility

State's efforts to estimate demand for passports were also complicated by several external factors, including preparations for the introduction of the passport card for land border crossers and changes in implementation timelines for WHTI. For example, in its fiscal year 2007 budget request and Bureau Performance Plan for Consular Affairs, submitted to the Office of Management and Budget in January 2005, State anticipated the receipt of 15 million passport applications in 2007 and requested \$185 million for passport operations, facilities, and systems to meet this demand. However, due to these changing circumstances, State revised the 2007 estimates in subsequent planning and budget documents, estimating 16.2 million receipts in April 2006 and 17.7 million receipts in March 2007.

State's fluctuating demand estimates also complicated efforts to prepare for the surge in demand at the lockbox operated by the financial agent, which provides passport application data entry and payment processing services.¹⁶ According to lockbox agent documents, between May 2006 and February 2007, State provided lockbox officials with at least five sets of estimates of passport applications for fiscal year 2007. Although the lockbox agent began preparing for an increased workload in the end of 2006, lockbox officials told us that they had difficulty adjusting to these changing estimates, because it takes roughly 60 to 90 days to prepare for increased demand, such as by hiring additional staff and ordering additional scanners. Further, these officials told us they did not expect the volume of applications they eventually did receive. According to State officials, the lockbox agent planned to process 325,000 applications per week, but actual workload peaked at 500,000 applications per week, an increase of over 50 percent. As a result, large numbers of passport applications accumulated at the lockbox facility, and applications took far longer to be processed than the typical 24 hours. In April 2007, according to lockbox data, many applications took as long as 3 weeks to process before being sent to passport agencies for adjudication.¹⁷ The primary issues contributing to this backlog, according to lockbox officials, were incorrect demand estimates from State and insufficient lead time.

¹⁶According to State officials, about 90 percent of its passport workload passes through the lockbox.

¹⁷According to lockbox data, the lockbox financial agent eliminated its backlog and returned to its normal 24-hour processing times by the end of May 2007, which it has maintained through April 2008.

State Struggled to Process a Record Number of Passport Applications in 2007

State issued a record number of passports in fiscal year 2007, but deficiencies in its efforts to prepare for this increased demand contributed to lengthy backlogs and wait times for passport applicants. Reported wait times for routine passport applications peaked at 10 to 12 weeks in the summer of 2007—with hundreds of thousands of applications taking significantly longer—compared to 4 weeks in 2006.

State Issued a Record Number of Passports in 2007

According to State data, the department issued a record number of passports in fiscal year 2007—about 18.5 million passports, over 50 percent more than the 12.1 million passports it issued in fiscal year 2006. State officials characterized the increase in passport demand as exponential over the past few years and attributed it mostly to the increased number of applications from Americans complying with the WHTI requirements. As noted earlier, the number of passports issued doubled between 2004 and 2007.

In January 2007, State began to notice a sharp increase in passport applications. Department officials initially believed this increase was temporary because of their efforts, initiated in December 2006, to publicize new travel document requirements related to the WHTI; however, State reported that the number of applications it received increased from about 1.5 million per month in January and February 2007 to about 1.8 million or more in each of the following 3 months. Additionally, as noted in a 2007 study, passport applications in 2007 did not conform to historical trends, contributing to State's lack of preparedness.

Wait Times Reached Record Highs in 2007 due to Unprecedented Demand

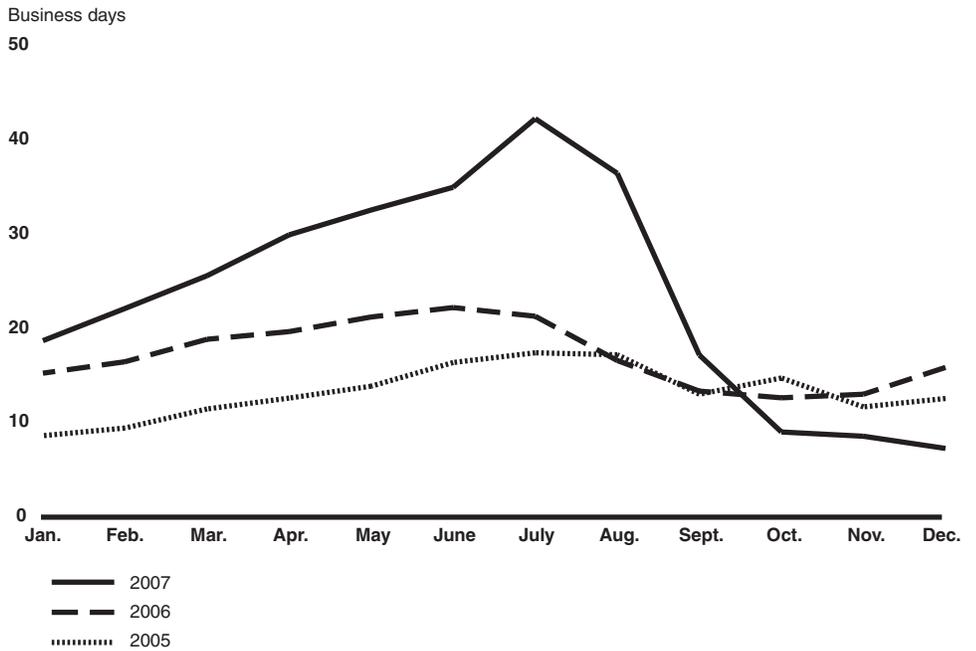
As a result of the increased number of passport applications in the first half of 2007, reported wait times more than doubled, causing applicants to wait 10 to 12 weeks for their passports on average, though many applicants waited significantly longer. According to State data, the average time to process a passport—from the time one of State's passport agencies receives the application until the time it mails the passport to the applicant—was about 3½ weeks in January 2007, better than the goal of 5 weeks that State had during that period. However, by the summer of 2007, processing times had risen to about 8½ weeks, which, according to State

officials, led to wait times of between 10 and 12 weeks.¹⁸ Further, data provided by State show that 373,000 applications—or about 12 percent of all routine applications—took over 12 weeks to process during the peak of the surge in July and August 2007. By contrast, average processing times peaked at just over 4 weeks in 2006 and just over 3 weeks in 2005 (see fig. 6). Furthermore, expedited passport applications, which State guaranteed would be processed within 3 business days of receipt, took an average of over 6 days to process in July 2007, leading to reported wait times of 2 to 3 weeks for expedited applications.¹⁹

¹⁸Our analysis of data provided by State suggests that the average processing time during the height of the surge was about 8½ weeks. However, this figure is likely understated because of discrepancies in data provided by State and the lockbox provider. Specifically, State's data show that the department received about 735,000 more applications from the lockbox in August 2007 than the lockbox reported dispatching to State. State officials noted that due to the abnormally large volume of applications in 2007, turnaround time for entering applications into the data system increased greatly at some points in time. As a result, actual processing times are likely higher than the 8½-week average that we calculated.

¹⁹In August 2007, State amended its standard from 3 business days to a number of days as may be published on the department's Web site. As of July 2008, the department's Web site indicated that applications would be processed within 2 weeks door-to-door.

Figure 6: Average Routine Passport Processing Time, 2005-2007



Source: GAO analysis of State data.

In addition, there were wide variations in routine application processing times between the different passport agencies during the surge. According to State’s data, average processing times for individual passport agencies ranged between 13 and 58 days during the peak of the surge in July 2007.

Communications Issues Contributed to Customer Frustration

State does not have consistent service standards or goals for timeliness of passport processing. During the 2007 surge, many applicants found it difficult to get timely, accurate information from State regarding wait times for passports; as a result, State experienced a record number of customer service inquiries from the public and Congress during the surge, drawing resources away from adjudicating passports and increasing wait times. In addition, State does not systematically measure applicants’ wait times—measuring instead processing time, which does not include the applicant’s total wait time—further contributing to the confusion and frustration of many applicants.

State Does Not Have a
Consistent Customer Service
Standard for Passport
Processing Times

State does not provide passport applicants with a committed date of issuance for passports; rather, it publishes current processing times on the department Web site. Over the past year, State has changed the information provided on its Web site from estimated wait time to expected processing time. Because these processing times fluctuate as passport demand changes, applicants do not know for certain when they will receive their passports. For example, at the beginning of the surge, reported wait times were 6 to 8 weeks. By the summer of 2007, however, reported wait times had risen to 10 to 12 weeks before falling to 6 to 8 weeks in September and 4 to 6 weeks in October 2007.²⁰ According to passport agency staff, however, the times on State's Web site were not updated frequently enough during the surge, which led to inaccurate information being provided to the public.

Further, State has not had consistent internal performance goals for passport timeliness (see table 1). While State generally met its goals for passport processing times—which decreased from 25 to 19 days—between 2002 and 2005, the department changed its timeliness goal in 2007 from processing 90 percent of routine applications within 19 days to maintaining an average processing time of 35 days for routine applications. According to State officials, the department relaxed its goals for 2007 and future years due to the large increase in workload and the expectation of future surges in passport demand. However, even with the unprecedented demand for passports in 2007 and State's lack of preparedness, the department managed to maintain a reported average processing time of 25 days over the course of the year, raising questions about whether State's 35-day goal is too conservative.

²⁰As of July 2008, State's Web site indicates that applications will be processed in less than 4 weeks from the time of application.

Inaccurate Information on Processing Times Contributed to the Strain on Passport Operations

Table 1. State’s Performance Goals for Passport Timeliness, 2002-2008

Year	Goal	Definition
2002	25 days	90% of passport applications processed within this number of days from receipt
2003	23 days	90% of passport applications processed within this number of days from receipt
2004	21 days	90% of passport applications processed within this number of days from receipt
2005	19 days	90% of passport applications processed within this number of days from receipt
2006	19 days	90% of passport applications processed within this number of days from receipt
2007	35 days	Maintain average processing time within this number of days from receipt
2008	35 days	Maintain average processing time within this number of days from receipt

Source: GAO analysis of State data.

During the 2007 surge in passport demand, applicants found it difficult to get information about the status of their applications, leading many to contact several entities for information or to reapply for their passports. Many of the applicants who did not receive their passports within their expected time frame called NPIC—State’s customer service center—overwhelming the center’s capacity and making it difficult for applicants to get through to a customer service representative. Other applicants contacted passport agencies or acceptance facilities directly. However, passport agency staff told us that there was little or no contact between their customer service representatives and the acceptance facilities, leading to applicants receiving inconsistent or inaccurate information regarding wait times. Passport agency staff said that officials in Washington provided processing time estimates to postal facilities that were far below actual processing times.

In addition to contacting State and State’s partners, thousands of applicants contacted their Members of Congress for assistance in getting their passports on time, according to State data. One Senator noted that he increased the number of staff in his office responding to passport inquiries from one to seven during the height of the surge in passport demand. According to State officials, many applicants made inquiries about the status of their passports through multiple channels—through NPIC, passport agencies, State headquarters, or congressional offices—leading

to several cases in which multiple staff at State were tasked with searching for the same application. This duplication of effort drew resources away from passport adjudication and further contributed to delays in processing.

According to State officials, many applicants who were unable to receive timely, accurate information on the status of their passport applications appeared in person at passport agencies to resubmit their applications—some having driven hundreds of miles and others having taken flights to the nearest passport agency. For example, according to officials at the New York passport agency, whose workload consists primarily of counter applications, the number of in-person applicants nearly doubled at the height of the surge. These officials told us they generally issue 450 to 550 passports on any given day, but during the surge they experienced an extra 400 to 600 daily applicants without appointments, most of whom were resubmitting their applications. Officials at another passport agency added that customers appearing in person at the passport agency stated that they would have made alternative arrangements had they known how long the wait time was going to be. This high number of resubmissions further slowed State's efforts to reduce passport backlogs during the surge.

The inundation of in-person applicants led to long lines and large crowds at many passport agencies during the summer of 2007. For example, officials in New York said that customers waited in line outside the building for up to 6 hours before appearing at an appointment window—and then waited even longer to see a passport specialist. According to these officials, this line snaked around the building, and the agency had to work with local law enforcement to control the crowds. Officials in Houston also said that crowd control during the surge was a significant challenge for their agency due to the large numbers of applicants appearing without appointments.

State's Estimated Processing Times Do Not Measure Applicant's Total Expected Wait Time

The passport processing times that State publishes on its Web site do not measure the total length of time between the applicant's submission of an application and receipt of a passport. According to State officials, processing times are calculated based on passport aging statistics—that is, roughly the period beginning when the passport agency receives a passport application from the lockbox facility and ending when the passport is mailed to the applicant. Consequently, State's measure of processing times does not include the time it takes an application to be sent from an acceptance facility to the lockbox, be processed at the lockbox, or be transferred from the lockbox to a passport agency. While this time may be as short as 1 to 2 days during nonpeak periods, during the

surge, when hundreds of thousands of passport applications were held at the lockbox facility for as long as 3 weeks, this time was significantly longer. Passport agency officials told us that during the surge, applicants were confused about the times published on State's Web site, as they were not aware that State did not start measuring processing times until a passport agency received the application from the lockbox facility.²¹ Finally, customers wishing to track the status of their applications are unable to do so until 5 to 7 days after they have submitted their passport application, because applications do not appear in State's tracking system until the department receives them from the lockbox facility.

State Took Emergency Measures and Accelerated Some Planned Efforts to Increase Passport Production Capacity

State increased the capacity of its staffing, facilities, customer service, and lockbox functions during the surge. Passport agencies also developed their own efforts to increase the efficiency and effectiveness of passport operations. State's actions, combined with seasonal declines in passport applications, decreased wait times to normal levels by October 2007. State estimated the cost of the emergency measures to respond to the surge to be more than \$40 million.

State Increased the Capacity of its Staffing, Facilities, Customer Service, and Lockbox Functions

In reaction to the 2007 surge in passport demand, State took a variety of actions related to staffing to increase its production capacity. State instituted mandatory overtime for all government and contract staff and suspended all noncritical training and travel for passport staff during the surge.²² State hired additional contract staff for its passport agencies to perform nonadjudication functions. State also issued a directive that contractor staff be used as acceptance agents to free up passport specialist staff to adjudicate passport applications,²³ and called upon department employees—including Foreign Service officers, Presidential

²¹State now provides information on its Web site regarding when customers may expect to receive their passports from the date of application. According to State officials, the department has addressed the problem experienced during the 2007 surge.

²²According to State officials, government staff were required to work 16 hours of overtime in every 30-day period and contract staff were required to work 10 hours of overtime per week.

²³According to State officials, only government employees can adjudicate passport applications, while contract staff perform critical nonadjudicative functions such as passport book printing and mail-out.

Management Fellows, retirees, and others—to supplement the department’s corps of passport specialists by adjudicating passports in Washington and at passport agencies around the United States. State also obtained an exemption from the Office of Personnel Management to the hiring cap for civil service annuitants,²⁴ so that it could rehire experienced and well-trained retired adjudicators while it continued to recruit and train new passport specialists. In addition, the department dispatched teams of passport specialists to high-volume passport agencies to assist with walk-in applicants and process pending passport applications. These teams also provided customer support, including locating and expediting applications of customers with urgent travel needs. Finally, consular officers at nine overseas posts also remotely adjudicated passports, using electronic files.²⁵

In addition, State took steps to increase the capacity of its facilities to handle the increased workload. State expanded the hours of operations at all of its passport agencies by remaining open in the evenings and on weekends. Several agencies also added a second shift, and State’s two passport processing centers operated 24 hours a day, in three shifts. Public counters at passport agencies were also opened on Saturdays for emergency appointments, which were scheduled through State’s centralized customer service call center. In addition to increasing work hours, State realigned workspace to make more room for adjudication purposes. For example, passport agencies used training and conference rooms to accommodate additional passport specialists. One passport agency borrowed space from another government agency housed in the same building to prescreen applicants. Some passport agencies that had more than one shift instituted desk sharing among staff. In some instances, because of the lack of workstations, adjudication staff also manually adjudicated applications with a pen and paper and entered the application’s approval into State’s information system at a later time. In

²⁴ Annuitants are former civil service employees entitled to an annuity under a retirement system established for employees.

²⁵ In remote adjudication, passport applications are scanned and reviewed by staff at a domestic passport agency and then batched and sent to consular posts overseas for adjudication. Consular officers abroad then review scanned images of the passport application and photograph, compare them with passport records already on file, and perform all appropriate name checks. When they have completed these checks, consular officers abroad record their decision in State’s Travel Document Information System. Passports approved for issuance at overseas posts are printed at a domestic passport book printing center and mailed to the applicant.

addition, one passport agency renovated its facility by expanding the fraud office to add desks for more staff.

To further increase the capacity of its customer service function, State extended NPIC's operating hours and, according to State officials, increased the number of its customer service representatives from 172 full-time and 48 part-time staff in January 2007 to 799 full-time and 94 part-time staff in September 2007. In response to heavy call volume at NPIC during the surge, State installed 18 additional high-capacity lines, each of which carries 24 separate telephone lines, for a total of 432 new lines—25 percent of which were dedicated to congressional inquiries, according to State officials. State also established an e-mail address for congressional inquiries. To supplement NPIC, State also established a temporary phone task force in Washington composed of department employees volunteering to provide information and respond to urgent requests, augmented an existing consular center with about 100 operators working two shifts, and temporarily expanded its presence at a federal information center with 165 operators available to assist callers 7 days a week.²⁶

State also took emergency measures in coordination with Treasury to bolster the lockbox function in reaction to the surge. First, Treasury coordinated with State to amend the terms of its memorandum of understanding with its financial agent responsible for passport application data entry and payment processing, to increase the agent's lockbox capacity. Specifically, under the revised memorandum, the financial agent committed to processing up to 3 million applications per month at the lockbox. According to Treasury officials, to increase its processing capacity, the financial agent increased the number of its staff at the lockbox facility from 833 in January 2007 to 994 in September 2007; offered a pay incentive to increase the number of its employees working overtime;²⁷ and opened an additional lockbox facility—operating 24 hours a day, 7 days a week in three shifts. In addition, the financial agent implemented some process improvements at the lockbox during the surge, including automating data entry, presorting mail by travel date, and implementing a new batching process to increase the number of

²⁶The Federal Citizen Information Center's National Contact Center responds to telephone and e-mail inquiries about federal programs, benefits, and services, and processes telephone requests for consumer publications.

²⁷According to FMS officials, full-time employees worked an average of 16 hours of overtime per month during the first quarter of 2007 to address the backlog.

applications processed. The financial agent also increased the number of scanners, the capacity of its application server and data storage, and the bandwidth of its network to accommodate the heavy volume of passport applications. In addition to the measures described above, Treasury and State held weekly conference calls with the financial agent to discuss concerns and determine various courses of action to clear the passport application backlog. Treasury and State officials also visited lockbox facilities to review operations and received daily status reports from the financial agent indicating the processing volumes and holdover inventory.

In addition to the emergency steps that State took, it also accelerated some planned efforts such as hiring more permanent staff and opening a new passport book printing facility. While State's hiring of additional permanent staff was already in CA's long-term planning efforts to handle an increase in passport demand, the time frame to do so was moved up to respond to the passport demand surge, according to State officials. Consequently, State hired an additional 273 staff in the last quarter of fiscal year 2007; however, according to State officials, not all of these staff were on board at the end of the fiscal year because of delays in processing security clearances for new hires. Additionally, State opened a new passport book printing center in March 2007, ahead of its schedule to open in June 2007, to centralize its book printing function and free up space at passport agencies for adjudication.²⁸

Passport Agencies Took Actions to Improve Their Operations in Reaction to the Surge

Passport agencies took various actions to meet their specific needs in reaction to the surge. During our site visits, State officials told us that their passport agencies had undertaken such actions as

- developing a software program to better track suspense cases;²⁹
- creating a batch tracking system whereby each shelf was numbered and all batches boxed on this shelf were marked with the same number;

²⁸The passport book printing center receives electronic records of adjudicated applications from regional passport agencies and passport processing centers. The center then prints passports, conducts quality control, and mails the passport back to the applicant.

²⁹A suspense case is an application that needs to be temporarily removed, or suspended, from the passport issuance process because of missing information or unacceptable documentation or photographs.

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- developing a “locator card” for customers, which was color-coded to indicate different situations—such as customers submitting new applications, inquiring about pending applications, and resubmitting applications—to enable the agency to locate the application file before the customer came into the agency;
 - providing customers with a ticket that provided expedited service if they had to return on another day; and
 - using students for nonadjudication tasks for the summer.

In addition, according to State officials, some passport agencies used security guards to prescreen applicants at the entrance to control crowds and improve the efficiency of operations. Finally, other agencies organized teams to handle inquiries from congressional staff and State headquarters staff. In an effort to document and disseminate such initiatives, State compiled a best practices document for passport operations during the surge. These best practices were submitted by passport agencies on a variety of issues, including work flow improvements, counter management, and communication, among others.

To provide a forum for feedback for passport agencies and improve passport operations, State also conducted a lessons learned exercise following the surge. State gathered information from passport staff at all levels and compiled a lessons learned document, which was made available on CA’s internal Web site. According to this review, the primary lesson learned from the surge was that the United States passport is increasingly viewed by the American public not only as a travel document, but as an identity document. Accordingly, the lessons learned document outlined lessons learned in five main categories—process, communications, technology, human resources, and contracts—to help meet future demand for passports. However, State officials told us that this document was a draft and State has not formally embraced it.

State’s Actions and Seasonal Decline in Applications Helped Reduce Processing Times by October 2007

The extraordinary measures that State implemented to respond to the surge in passport demand, combined with the normal seasonal decline in passport applications between September and January, helped State reduce wait times by October 2007. According to data provided by State, the department returned to normal passport processing times of 4 to 6 weeks by October 2007. These data show that State has maintained these processing times through July 2008, according to State’s Web site.

Emergency Response to Passport Surge Cost State over \$40 Million

State estimated the cost of its emergency measures to respond to the 2007 surge in passport demand to be \$42.8 million. This amount included \$28.5 million for contract-related costs, \$7.5 million for overtime pay for staff from CA and other bureaus within State, and \$3.1 million spent on travel to passport agencies for temporary duty staff. In addition, State spent \$3.2 million on costs associated with buying equipment and furniture. State also spent an additional \$466,000 on costs related to telephone services for its call centers, for rentals, and for Office of Personnel Management position announcements for hiring additional passport staff during the surge. These estimates do not include the costs of other measures such as hiring additional staff, which State had already planned but accelerated in order to respond to the 2007 surge.

To cover costs incurred due to the surge, State notified Congress in June 2007 of its plans to devote an additional \$36.9 million to the Border Security Program. According to State officials, this amount included \$27.8 million for passport operations, such as \$15 million for a passport processing center, additional costs for Foreign Service Institute training for new passport specialists, and salaries for 400 new staff to be hired in fiscal year 2007. In September 2007, State notified Congress of its intent to obligate an additional \$96.6 million for its Border Security Program, including \$54 million for additional passport books, according to State officials. In December 2007, State sent a revised spending plan for fiscal year 2008 to Congress to increase its resources to enable it to handle processing of 23 million passports. This plan included an additional 700 personnel to meet anticipated passport demand and a new passport adjudication center. The plan also provided for three passport gateway agencies to be established in fiscal year 2008.³⁰

³⁰To expand State's presence in regions with significant passport demand not currently served by a State passport facility, and to serve the anticipated needs of a border region or major international travel hub, State established the "gateway agency" concept. Gateway agencies—now simply called new passport agencies—are intended to serve primarily as a passport counter agency, capable of handling 650 cases per day and issuing as many as 250,000 passports per year. These agencies will be staffed by about 40 to 60 State and contract employees.

Despite Improvements in Its Ability to Handle Near-Term Increases in Demand, State Lacks a Comprehensive Long-Term Strategy to Improve Passport Operations

State has enhanced its capacity for responding to surges in passport demand in the near term, such as by improving its efforts to estimate passport demand. However, State lacks a comprehensive, long-term strategy for improving passport operations. State commissioned a review of its passport operations, completed in 2005, that identified several deficiencies and proposed a number of potential measures to guide modernization efforts; however, State does not have a plan to prioritize and synchronize these efforts. We have reported that an enterprise approach could help agencies develop more efficient processes, and this type of approach could help State improve passport operations and better prepare for future changes in passport demand.

State Has Improved its Ability to Respond to Near-Term Increases in Passport Demand

State has taken several steps to increase its passport production capacity and improve its ability to respond to near-term increases in passport demand. As we have noted, State hired more staff and improved individual components of passport operations, such as centralizing the printing of passport books and upgrading information technology, during and following the 2007 surge in passport demand. Additionally, State developed two shorter-term plans to address a future increase in demand, including an adjudicative capacity plan, which establishes a set of triggers for determining when to add capacity. According to State officials, the department has completed some preparations for future surges in demand, such as opening a second book printing facility in May 2008 and creating a reserve adjudication force. State also expects to open new passport agencies in Dallas and Detroit by the end of 2008 and in Minneapolis by March 2009, according to these officials. However, it faces challenges in completing others. For example, State hired only 84 out of a planned 400 additional staff called for in the first quarter of fiscal year 2008. Similarly, according to officials, State has not yet established an additional mega processing center and is behind schedule in renovating and expanding some of its existing facilities.³¹ According to these officials, these plans were developed to expand State's capacity to issue passports.

³¹Currently, State operates two mega processing centers—the National Passport Center in Portsmouth, New Hampshire, and the Charleston Passport Center in Charleston, South Carolina. These centers focus on adjudication and are not accessible to the public.

State has also taken several steps to improve future estimates of passport demand since it underestimated demand in fiscal year 2007. In particular, State's contractor designed a new passport demand survey to overcome limitations in its 2005 survey, which was not representative of all border crossers and did not include air and sea travelers. The contractor's 2007 estimate of total demand for passports in 2008 was derived from (1) a land border crosser survey to collect data on the impact of WHTI on passport demand in 2008,³² and (2) a nationally representative panel survey of 41,000 U.S. citizens, which included data on overall passport demand, including for sea and air travel and for nontravel identification purposes. State then applied average monthly application rates from previous years to the contractor's data to estimate the number of passport applications for each month and to identify peak demand. We found these methodologies sound in terms of survey design, sample selection, contact procedures, follow-up, and analysis of nonrespondents.

However, estimating passport demand faces several limitations. State and contractor officials outlined some of these limitations, which include the following.

- It can be difficult for respondents to anticipate travel many months—or years—into the future. For example, the most recent surveys were conducted in May and September of 2007 and were used to estimate travel throughout 2008.
- Survey respondents tend to overstate their prospective travel and thus their likelihood of applying for a passport. While the contractor adjusted for this phenomenon in its 2007 survey, it did so based on assumptions rather than data.
- Some survey respondents did not understand certain regulations and options for passports and border crossings, such as WHTI requirements, suggesting that some of these individuals are unaware of the future need to apply for passports for travel to Canada or Mexico.
- Changes in personal or professional circumstances, or in the economy, can lead to changes in individuals' international travel plans.

³²Unlike the 2005 survey, this survey was designed to be generalizable to all land border crossers.

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- Changes in regulations can affect passport demand. For example, New York State signed a memorandum of understanding with DHS to issue enhanced driver's licenses that could be used for land border crossings and could reduce the demand for passports or passport cards obtained solely to meet WHTI requirements.

State Lacks a Comprehensive Strategy to Improve Long-Term Passport Operations

A 2005 study of passport operations commissioned by State identified several limitations in State's passport operation, many of which were exposed during the department's response to the 2007 surge in demand. This study and other plans, as described above, have also proposed numerous improvements to passport operations—many of which were generated by State officials themselves—and the department has begun to implement some of them. However, State does not have a long-term strategy to prioritize and synchronize these improvements to its operation. As we have reported previously, using a business enterprise approach that examines a business operation in its entirety and develops a plan to transition from the current state to a well-defined, long-term goal could help State improve its passport operations in the long term.

Review of Passport Operations Identified Several Deficiencies and Proposed Modernization Efforts

In 2004, State contracted with an independent consulting firm to study its passport operations, which had not been formally examined for over 25 years. The study, issued in 2005, outlined the current state of passport operations and identified several issues that limited the efficiency and effectiveness of passport operations. Several of these limitations were exposed by State's response to the 2007 surge in passport demand, and many of them remain unresolved. For example, the study found that State's practice of manually routing the original paper passport application through the issuance process—including mailing, storage, management, and retrieval of physical batch boxes containing paper applications—slowed the process, extended processing time, and made upgrade requests difficult to handle. Due to the overwhelming number of applications during the surge, a few passport agencies told us that there was no extra space available at their facilities; according to agency officials, this situation led to duplicative efforts. In addition, the study found that limited information was available to management and that reporting tools, such as Consular Affairs' Management Information System, could not produce customized reports. Further, the study found that this system could not provide information on the performance of its business partners, such as acceptance facilities or the lockbox, resulting in data being available only for applications that had been received at a passport agency. As a result, during the surge, State was not immediately aware of the growing workload at the lockbox. The study also found limitations in State's

communications, including challenges to communicating among passport agencies, providing feedback to headquarters in Washington, and conducting public outreach. For example, during the surge, State did not effectively disseminate management decisions and communicate changes in internal processes and resources available to field staff, according to State's lessons learned document.

In addition to identifying limitations, the study proposed a guide for State's modernization efforts, including a framework to put in place for passport services by the year 2020.³³ As part of this guide, the study identified key factors that affected State's methods for conducting business and the performance of passport operations. For example, the study identified increased demand as one such factor, due to normal trends in passport demand, the impact of WHTI implementation, and the passport's increasing role as an identification document for everyday transactions. To address these issues, the study suggests that State will have to take steps such as redistributing workload through centralization to meet increasing volumes—State has begun to implement this suggestion by establishing passport printing facilities in Arkansas and Arizona. Additionally, the study notes that passport adjudication practices will become an even more important part of combating terrorism and other security concerns in the future, which will require State to utilize technology and external data to improve its risk assessment and fraud detection methods. Finally, the study also suggests that State will face changing customer expectations in the future, requiring more frequent and effective communications and, possibly, changes to service standards. As we previously noted, this issue continues to be a challenge for State.

Although the study proposed several initiatives to improve passport operations, State officials told us that the department has not developed a formal plan to implement the initiatives, nor does it have a strategic plan outlining how it intends to improve its entire passport operations. State officials told us that because the department has been largely focused on carrying out its day-to-day operations—especially as it responded to the 2007 surge in passport demand—it has not had time to document its strategic plan. While State has taken a few steps to implement some of the proposed initiatives of the study—such as developing and implementing

³³State officials emphasized that the department had not formally adopted this framework and did not consider it department policy.

the e-Passport,³⁴ opening two passport adjudication centers, and issuing passports remotely—State does not have a systematic strategy to prioritize and synchronize these potential improvements to its passport operations. Some of these proposed initiatives that State has not implemented could be useful to State’s current operations, including the following:

- leveraging electronic work flow management—enabling State to develop flexible, streamlined work streams that improve its ability to monitor and manage passport operations while reducing manual processes for the physical movement and storage of paper applications and supporting documentation—to ensure a more efficient work flow that supports the issuance of increasing numbers of passports every year;
- providing management visibility over the end-to-end passport issuance process extending across State and partner organizations, to effectively manage the process and enforce performance standards;
- applying validations and identity checks automatically upon receipt or modification of an application by consistently applying a comprehensive set of business rules, to strengthen an adjudication process that supports the integrity of the passport as a primary identity document;
- offering an online point of service with expanded functionality as a means for self-service by the public to facilitate a simplified, flexible, and well-communicated application process to enhance service to the passport customer; and
- conducting a comprehensive workforce analysis to define a sustainable workforce structure and plans through 2020 and enhancing communications within State and its business partners to improve efficiency and promote knowledge sharing.

The recent increases in passport demand have made the need for a plan to prioritize the study’s proposed initiatives that State intends to implement more urgent. While the study assumed that State would issue a minimum

³⁴The U.S. Electronic Passport, also known as the e-Passport, is the same as a regular passport with the addition of a small computer chip embedded in the back cover. The chip securely stores the same data visually displayed on the photo page of the passport and includes a digital photograph, which enables biometric comparison, through the use of facial recognition technology, at international borders. The U.S. e-Passport also has a new look, incorporating additional anti-fraud and security features. Since August 2007, the United States has been issuing only e-Passports.

An Enterprise Approach Could Help State Improve Passport Operations

of 25 million passports by 2020, this time frame has already become outdated, as actual issuances were 18.6 million in fiscal year 2007 and, in July 2007, were estimated by State to reach 30 million as early as 2010.

We have reported that using an enterprise approach to examine and improve the entirety of a business process can help agencies develop more efficient processes.³⁵ An enterprise approach defines day-to-day operations in order to meet agency needs and processes that result in streamlined operations, rather than simply automating old ways of doing business, and effectively implements the disciplined processes necessary to manage the project.³⁶ A key element of this approach is the concept of operations, which assesses the agency's current state, describes its envisioned end state, and provides a transition plan to guide the agency from one state to the other. An effective concept of operations would also describe, at a high level, how all of the various elements of an organization's business systems relate to each other and how information flows among these systems. Further, a concept of operations would serve as a useful tool to explain how all the entities involved in a business system can operate cohesively, rather than in a stovepiped manner—in the case of passport issuance, this tool would include acceptance agents, the lockbox facility, and the various components of passport operations within State. Finally, it would provide a road map that can be used to (1) measure progress and (2) focus future efforts.

Using an enterprise approach could provide State with management visibility over the passport issuance process extending across its entire passport operations, thereby improving these operations in the long term. While State has made several improvements to its passport operations, it has yet to develop and implement a comprehensive strategy for passport operations. The 2005 study, which included a proposed concept of operations, recognized the need for a comprehensive approach and was designed to analyze the entire passport issuance process—including the applicant, passport agency, acceptance facility, lockbox facility, passport processing center, and passport book printing center. However, according to State officials, State has not

³⁵See GAO, *DOD Business Transformation: Lack of an Integrated Strategy Puts the Army's Asset Visibility System Investments at Risk*, GAO-07-860 (Washington, D.C.: July 27, 2007), and *Business Modernization: NASA Must Consider Agencywide Needs to Reap the Full Benefits of Its Enterprise Management System Modernization Effort*, GAO-07-691 (Washington, D.C.: July 20, 2007).

³⁶These processes are developed to support cross-functional enterprise needs and the concept of "one truth"—whereby a system generates consistent information regardless of which entity requests the information or for what purpose.

adopted the framework for improving passport operations proposed by this study, nor has it developed an alternative strategy for prioritizing and synchronizing its varied efforts to improve these operations.

Conclusion

The 2007 surge in passport demand exposed serious deficiencies in State's passport issuance process. Passport wait times reached record highs, leading to inconvenience and frustration for many thousands of Americans. Once it recognized the magnitude of the problem it was facing, State took extraordinary measures to reduce wait times to normal levels by October 2007. However, these actions were not part of a long-term, comprehensive strategy to improve passport operations. State estimates that demand for passports will continue to grow significantly, making such a strategy an urgent priority. Indeed, a study State commissioned to identify potential improvements to its passport operations was premised upon demand estimates for 2020 that are likely to be surpassed as early as this year. State needs to rethink its entire end-to-end passport issuance process, including each of the entities involved in issuing a passport, and develop a formal strategy for prioritizing and implementing improvements to this process. Doing so would improve State's ability to respond to customer inquiries and provide accurate information regarding expected wait times by increasing its visibility over a passport application from acceptance to issuance. It would also encourage greater accountability by providing transparency of State's passport operations to the American public.

Recommendations for Executive Action

In order to improve the effectiveness and efficiency of passport operations, we recommend that the Secretary of State take the following two actions:

- Develop a comprehensive, long-term strategy for passport operations using a business enterprise approach to prioritize and synchronize the department's planned improvements. Specifically, State should fully implement a concept of operations document that describes its desired end state for passport operations and addresses how it intends to transition from the current state to this end state.
- Begin tracking individual passport applications from the time the customer submits an application at an acceptance facility, in order to maintain better visibility over the passport process and provide better customer service to passport applicants.

Agency Comments and Our Evaluation

State provided written comments on a draft of our report, which we have reprinted in appendix II. State concurred with our recommendations; however, it expressed disappointment with our finding that the department lacks a comprehensive strategy to improve its passport operations. Although the department has developed short-term and contingency plans for increasing passport production capacity and responding to future surges in demand, we do not believe these efforts constitute a comprehensive strategic plan. However, we believe the establishment and staffing of the Passport Services Directorate's Strategic Planning Division is a step in the right direction, and we encourage this office to focus on the modernization efforts discussed in this report. State also disputed our characterization of the 2005 study it commissioned to review existing processes and propose recommendations for improving these processes. We did not intend to suggest that the department fully adopt all of the recommendations in that study and have clarified that point in our findings. State and Treasury also provided technical comments and updated information, which we have included throughout this report as appropriate.

We are sending copies of this report to the Secretaries of State and the Treasury and will make copies available to others upon request. We will also make copies available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4128 or fordj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.



Jess T. Ford
Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

In this report, we review (1) the extent to which the Department of State (State) was prepared for the surge in passport demand in 2007 and how State's readiness affected passport operations, (2) how State increased its passport production capacity in response to the 2007 surge, and (3) State's readiness for near-term surges in demand and whether State has a comprehensive strategy in place to improve long-term passport operations.

To determine the extent to which State was prepared for the surge in passport demand in 2007, how State's readiness affected passport operations, and how State increased its passport production in response to the surge, we observed passport operations and interviewed U.S. government officials at six passport agencies—Hot Springs, Arkansas; Charleston, South Carolina; Houston; New Orleans; New York; and Washington. We selected these sites based on their workload volume and geographic locations. We visited State's lockbox facility in New Castle, Delaware, and interviewed officials from the financial agent responsible for providing lockbox functions. We reviewed State's passport demand estimates for fiscal year 2007 and analyzed the survey methodology supporting these estimates. We also collected and analyzed data on passport receipts and issuances, and staffing. In addition, we interviewed officials from State's Bureau of Consular Affairs, the Department of Homeland Security, the Department of the Treasury's Financial Management Service, and State contractors responsible for collecting survey data on passport demand.

To determine State's passport processing times during the 2007 surge in demand, we interviewed cognizant officials, analyzed data provided by State, and reviewed public statements by State officials and information on State's Web site. We determined that these data were sufficiently reliable to illustrate the sharp rise in processing times that occurred in the summer of 2007, and place that rise in the context of yearly and monthly trends from 2005 to 2007. However, we found that the rise in application processing time in the summer of 2007 was likely understated to some degree. This understatement likely occurred because the turnaround time for entering applications into State's data system increased greatly at some points during 2007, due to the abnormally large volume of applications.

To determine the reliability of data on passport issuances from 1997 through 2007, we interviewed cognizant officials and analyzed data provided by State. We determined that the data were sufficiently reliable to illustrate a relatively stable level of demand for passports between 1997

and 2003, followed by a significant increase in passport issuances since 2003.

To determine whether State is prepared to more accurately estimate future passport demand and has a comprehensive strategy in place to address such demand, we assessed State's passport demand study for fiscal year 2008 and beyond, a draft report on lessons learned from the 2007 surge in passport demand, and State's long-term road map for the future of passport operations. We also reviewed prior GAO reports on enterprise architecture and business systems management. In addition, we interviewed Bureau of Consular Affairs officials in Washington and at the regional passport agencies.

We conducted this performance audit from August 2007 through July 2008 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 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.

Appendix II: Comments from the Department of State



United States Department of State

*Assistant Secretary for Resource Management
and Chief Financial Officer*

Washington, D.C. 20520

JUL 17 2008

Ms. Jacquelyn Williams-Bridgers
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "STATE DEPARTMENT: Comprehensive Strategy Needed to Improve Passport Operations," GAO Job Code 320522.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Judith Penn, Special Assistant at 202-663-2443 or Traci Moran, Projects Officer, Bureau of Consular Affairs at 202-736-9268.

Sincerely,

A handwritten signature in black ink, appearing to read "Bradford R. Higgins".

Bradford R. Higgins

cc: GAO – Michael Courts
CA – Janice Jacobs
State/OIG – Mark Duda

Department of State Comments on GAO Draft Report:

Comprehensive Strategy Needed to Improve Passport Operations
(GAO Report 08-891, GAO Job Code 320522)

Thank you for the opportunity to respond to the report entitled "*Comprehensive Strategy Needed to Improve Passport Operations*." The Department appreciates the hard work and extensive time the GAO team devoted to this audit. The Department is committed to improving passport operations and ensuring timely delivery of passport documents to applicants. We appreciate the efforts of GAO and the Committee in helping us to improve our process.

State appreciates the GAO's recognition that the Department made extraordinary efforts to increase its passport production capacity in 2007 and, as a result of these efforts, returned to normal passport processing times within a relatively short period. We are disappointed that the GAO found that State's efforts to improve passport operations have been undertaken in piecemeal fashion and that we lack a comprehensive strategy to improve overall passport operations.

The Department is also concerned that the GAO mischaracterized the nature of the 2005 Booz Allen Hamilton (BAH) study that State commissioned. Contrary to the report's assertion, the study did not identify or mention deficiencies. State commissioned the study as an independent review of existing practices and processes and to elicit recommendations for improving our business processes. The resulting report was called "Passport 2020 – A Long-term Roadmap."

Although the Department has implemented or is in the process of implementing many of the BAH recommendations made in the report, it did not intend or commit to implement all of them. State's intent when commissioning the study was to identify potential options to improve operations in the long term. The GAO report seems to suggest that the Department should have adopted all of the recommendations and that many of them would be in place by 2007 or 2008. As information that State provided to GAO and the information that follows clearly show, some of those recommendations are not feasible at this time given the operational structure, resources and technology currently available; while other recommendations are not cost-effective.

See comment 1.

See comment 2.

Recommendation 1: That the Department of State develop a comprehensive, long-term strategy for passport operations using a business enterprise approach to prioritize and synchronize the department's planned improvements. Specifically, State should fully implement a concept of operations document that describes its desired end state for passport operations and addresses how it intends to transition from the current state to this end state.

We concur with this recommendation. We note that State has for many years had long-range goals and plans for improving its passport operations, and we continue to take actions to implement them. In the last decade, the Department of State has made significant changes to the passport document, as well as the technology, capacity, and workforce related to the passport system. These changes required comprehensive strategies in order to achieve successful implementation.

The Department is continuing its efforts to modernize the passport issuance systems and strengthen management control and accountability by leveraging advances in technology to become more efficient and to provide better service to U.S. citizens. The short-term crisis in 2007 pulled resources away from assembling a comprehensive long-term plan. However, during that time, we developed a three year plan for increasing passport production capacity and improving the efficiency of our passport operations, which is currently being successfully implemented. As recognized in the report, this short-term strategy will provide the staffing levels, infrastructure and advanced technological systems necessary to meet future passport demand. The strategy includes contingency plans to effectively deal with workload surges in the future as tripwires are encountered. This plan will be used on an ongoing basis into the future for managing unanticipated surges in workload.

During the passport application surge in 2007, the Bureau of Consular Affairs (CA) continued executing a complex plan to develop and issue a completely new travel document – the passport card. The process entailed a complicated procurement, a new document, new issuing equipment, rulemaking and changes to every IT system related to passports. That process could not have been completed without comprehensive planning.

Just prior to the 2007 workload surge, State established a Strategic Planning Division in the Passport Services Directorate to provide a coordinated focus for the short and long term planning for passport operations. A new Office Director and Division Chief have been hired to lead this division and provide more focus to our strategic planning.

See comment 3.

3

Recommendation 2: Begin tracking individual passport applications from the time the customer submits an application at an acceptance agent, in order to maintain better visibility over the passport process and provide better customer service to passport applicants.

In the long term, the Department concurs with the recommendation to track passport applications from the time the customers execute the applications at the acceptance facility until the passports are issued and the applications are archived. We have made efforts in this area.

Our most effective efforts to date have been with the Postal acceptance facilities applications which comprise approximately 72 percent of the total applications received each year. Postal acceptance facilities are required to track all envelopes containing passport applications from the time the envelopes leave the Postal facilities until they are signed for by a lockbox courier. Postal facilities are required to send routine applications via Priority Mail with delivery confirmation and expedited applications via Express Mail. Each envelope sent is tracked daily until the envelopes are delivered to a lockbox courier. For the non-postal acceptance facilities, similar procedures are not required at this time. However, we have requested that non-postal acceptance facilities always mail applications using traceable/tracking service.

State started the above process for accountability purposes, rather than for gauging processing time. We keep track of processing time via our system on a daily basis. We also get a comprehensive workload report every day from the lockbox, which reports how much work has been received there and whether or not the processing time is within the 24-hours required. Processing time at the lockbox has not exceeded that requirement since May 2007. As a result of the surge, the lockbox more than doubled their capacity. They acquired new space and built a new facility that is dedicated to passport work and was designed to maximize efficiency of the workflow for passport applications. They now have capacity to process four million applications per month – well over workload projections for the foreseeable future.

The stage of the process that GAO is insisting we capture – between the time an application is submitted at an acceptance facility to the time it arrives at the lockbox - would track mailing time. This rarely takes more than five days, in fact, typically, mailing only takes one to three days. Visibility into fluctuations in the volume of work at that stage would provide such minimal lead time for adjustments that we do not believe the utility would justify the large expenditure of resources required for an application involving over 9400 acceptance facilities, the lockbox and the Department.

See comment 4.

GAO Comments

1. State said that the 2005 study it commissioned to review existing passport processes and propose recommendations for improving these processes did not identify or mention deficiencies. We disagree. The version of the study provided to us notes that it includes an “assessment of the deficiencies of the current state” (p. 3) and identifies issues that “limit the efficiency and effectiveness of passport operations” (p. 4). These deficiencies included the reliance on a manual, paper-based work flow, ineffective communications, and inflexible passport systems.
2. We did not intend to suggest that the department should have adopted all of the 2005 study’s recommendations and have made slight modifications to our finding to clarify this point. Our intent was to note that the department has developed a variety of recommendations to improve its passport operations—many of which were developed by staff in Consular Affairs—but still needs a comprehensive strategy to prioritize and synchronize the improvements it intends to undertake.
3. While our report recognizes that State has developed several plans designed to increase passport production capacity, improving the department’s ability to respond to near-term increases in demand, these plans are not the same as a comprehensive strategy for improving passport operations. Our recommendation addresses State’s need for such a strategy to guide its modernization efforts, by using a business enterprise approach, and not just to increase capacity.
4. State notes that it has improved its efforts to track the 72 percent of passport applications it receives from U.S. Postal Service acceptance facilities for accountability purposes. From a customer service standpoint, we believe that the department should track all applications from the time of execution in order to give the customer an accurate estimate of when to expect his or her passport. Doing so would help eliminate customer confusion, which contributed to the strain on State’s customer service operation experienced during the 2007 surge.

Appendix III: GAO Contacts and Staff Acknowledgments

GAO Contact

Jess T. Ford, Director, (202) 512-4128, fordj@gao.gov

Acknowledgments

In addition to the person named above, Michael Courts (Assistant Director), Robert Ball, Melissa Pickworth, and Neetha Rao made key contributions to this report. Technical assistance was provided by Carl Barden, Joe Carney, Martin de Alteriis, Chris Martin, and Mary Moutsos.

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