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STATE DEPARTMENT

Improvements Needed to Strengthen U.S. Passport Fraud Detection Efforts

Statement of Jess T. Ford, Director
International Affairs and Trade



June 29, 2005

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GAO Accountability·Integrity·Reliability

Highlights

Highlights of GAO-05-853T, testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Maintaining the integrity of the U.S. passport is essential to the State Department's efforts to protect U.S. citizens from terrorists, criminals, and others. State issued about 8.8 million passports in 2004. During the same year, State's Bureau of Diplomatic Security arrested about 500 individuals for passport fraud, and about 300 persons were convicted. Passport fraud is often intended to facilitate other crimes, including illegal immigration, drug trafficking, and alien smuggling. GAO examined (1) how passport fraud is committed, (2) what key fraud detection challenges State faces, and (3) what effect new passport examiner performance standards could have on fraud detection.

What GAO Recommends

In our report *State Department: Improvements Needed to Strengthen U.S. Passport Fraud Detection Efforts* (GAO-05-477, May 20, 2005), we recommended that the Secretary of State consider ways to improve interagency information sharing, establish a centralized and up-to-date fraud prevention library, consider augmenting fraud prevention staffing, assess the extent to which interoffice workload transfers may hinder fraud prevention, and strengthen fraud prevention training and oversight. State generally concurred with our recommendations and indicated that it has begun taking steps to implement most of them.

www.gao.gov/cgi-bin/getrpt?GAO-05-853T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Jess T. Ford at 202-512-4128 or fordj@gao.gov.

What GAO Found

Using the stolen identities of U.S. citizens is the primary method of those fraudulently applying for U.S. passports. False claims of lost, stolen, or damaged passports and child substitution are among the other tactics used. Fraudulently obtained passports can help criminals conceal their activities and travel with less scrutiny. Concerns exist that they could also be used to help facilitate terrorism.

State faces a number of challenges to its passport fraud detection efforts, and these challenges make it more difficult to protect U.S. citizens from terrorists, criminals, and others. Information on U.S. citizens listed in the federal government's consolidated terrorist watch list is not systematically provided to State. Moreover, State does not routinely obtain from the Federal Bureau of Investigation (FBI) the names of other individuals wanted by federal and state law enforcement authorities. We tested the names of 67 federal and state fugitives and found that 37, over half, were not in State's Consular Lookout and Support System (CLASS) database for passports. One of those not included was on the FBI's Ten Most Wanted list. State does not maintain a centralized and up-to-date fraud prevention library, hindering information sharing within State. Fraud prevention staffing reductions and interoffice workload transfers resulted in fewer fraud referrals at some offices, and insufficient training, oversight, and investigative resources also hinder fraud detection efforts.

Any effect that new passport examiner performance standards may have on State's fraud detection efforts is unclear because State continues to adjust the standards. State began implementing the new standards in January 2004 to make work processes and performance expectations more uniform nationwide. Passport examiner union representatives expressed concern that new numerical production quotas may require examiners to "shortcut" fraud detection efforts. However, in response to union and examiner concerns, State eased the production standards during 2004 and made a number of other modifications and compromises.

Crimes Suspected of 37 Federal and State Fugitives Not in CLASS Who Were Included in Our Test

Type of crime	Federal fugitives	State fugitives
Murder	5	4
Felonious assault and related acts	2	7
Child sex offenses	4	1
Drug trafficking	3	
Attempted murder	1	1
Bombings	1	
Child kidnapping		1
Other crimes	4	3
Total	**20**	**17**

Sources: State Department and other federal agencies.

Madam Chairman and Members of the Committee:

I am pleased to be here today to discuss our report on the State Department's efforts to strengthen U.S. passport fraud detection.[1]

Maintaining the integrity of the U.S. passport is essential to the State Department's effort to protect U.S. citizens from terrorists, criminals, and others. The department issued about 8.8 million passports in fiscal year 2004. Each year, State passport examiners refer tens of thousands of applications they suspect may be fraudulent to their local fraud prevention offices. In fiscal year 2004, State's Diplomatic Security Service arrested about 500 individuals for passport fraud and about 300 were convicted. Passport fraud is often intended to facilitate such crimes as illegal immigration, drug trafficking, and alien smuggling.

Our report addressed three key issues: (1) how passport fraud is committed, (2) what key challenges State faces in its fraud-detection efforts, and (3) what effect new passport examiner performance standards could have on fraud detection. Today I am going to focus my discussion on the first two issues, and I will also discuss our recommendations to State and State's response to them.

For our work on this subject, we reviewed various fraud statistics and investigative case files maintained by relevant State bureaus and observed State's fraud detection efforts at 7 of the 16 domestic passport-issuing offices. We also tested State's use of electronic databases for fraud detection and interviewed officials in various State offices and bureaus involved in this issue. We conducted our work from May 2004 to March 2005 in accordance with generally accepted government auditing standards.

Summary

We found that identity theft is the primary tactic used by individuals fraudulently applying for U.S. passports. Specifically, imposters' use of other people's legitimate birth and other identification documents accounted for 69 percent of passport fraud detected in fiscal year 2004, while false claims of lost, stolen, or damaged passports and other methods

[1]U.S. Government Accountability Office, *State Department: Improvements Needed to Strengthen U.S. Passport Fraud Detection Efforts*, GAO-05-477, (Washington, D.C.: May 20, 2005)

accounted for the remaining 31 percent. According to State's Bureau of Diplomatic Security, passport fraud is often committed in connection with other crimes, including narcotics trafficking, organized crime, money laundering, and alien smuggling. Fraudulently obtained passports help enable criminals to hide their movements and activities, and concerns exist that fraudulently obtained passports could also be used to support terrorism. U.S. passports allow their holders to enter the United States with much less scrutiny than is given to foreign citizens and also allow visa-free passage into many countries around the world, providing obvious potential benefits to terrorists and criminals operating on an international scale.

Our report details a number of challenges to State's passport fraud detection efforts, including information sharing deficiencies and insufficient fraud prevention staffing, training, oversight, and investigative resources. These challenges make it more difficult to protect U.S. citizens from terrorists, criminals, and others who would harm the United States. Specifically, State does not currently receive information on U.S. citizens listed in the Terrorist Screening Center (TSC) database, which is the federal government's consolidated terrorist watch list, nor does State routinely obtain from the FBI the names of individuals wanted by both federal and state law enforcement authorities. Therefore, many of these individuals are not listed in State's Consular Lookout and Support System (CLASS) name-check database for passports,[2] and they could obtain passports and travel internationally without the knowledge of appropriate authorities. We tested the names of 67 different federal and state fugitives—some wanted for serious crimes, including murder and rape—and found that fewer than half were in State's system. One of those not included was on the FBI's Ten Most Wanted list. Though State, TSC, and the FBI began exploring options for more routine information sharing on certain passport-related matters in mid- to late 2004, such arrangements are not yet in place.

In addition, State does not maintain a centralized electronic fraud prevention library that enables information sharing on fraud alerts, lost and stolen birth and naturalization certificates, counterfeit documents, and other fraud prevention resources. Further, we found that fraud prevention training is provided unevenly at different passport-issuing

[2]State maintains a separate CLASS database for visas. References to CLASS throughout this testimony relate to the CLASS database for passports only.

offices, some examiners have not had formal fraud prevention training in years, and training and oversight of passport acceptance agent operations are even more sporadic. State does not have any way of tracking whether many acceptance agent employees are receiving required training, it makes oversight visits to only a limited number of acceptance facilities each year, and it does not maintain records of all of the individuals accepting passport applications at those facilities, posing a significant fraud vulnerability.

Any effect that new passport examiner performance standards may have on State's fraud detection efforts is unclear because State continues to adjust the standards. State began implementing the new standards in January 2004 to make work processes and performance expectations more uniform nationwide. Passport examiner union representatives expressed concern that new numerical production quotas may require examiners to "shortcut" fraud detection efforts. However, in response to union and examiner concerns, State eased the production standards during 2004 and made a number of other modifications and compromises.

We are recommending that State, as it works to improve the coordination and execution of passport fraud detection efforts, take several actions to improve and expedite information sharing, specifically by ensuring that State's CLASS system for passports contains a more comprehensive list of individuals identified in the Terrorist Screening Center database as well as state and federal fugitives, and by establishing and maintaining a centralized electronic fraud prevention library. We are also recommending that State consider designating additional positions for fraud prevention coordination and training in some domestic passport-issuing offices; examine the impact of other workload-related issues on fraud prevention; and strengthen its fraud prevention training and acceptance agent oversight programs.

In commenting on a draft of this report, State generally concurred with our findings and conclusions. State indicated that it has already begun taking, plans to take, or is considering measures to address most of our recommendations.

Background

A U.S. passport is not only a travel document but also an official verification of the bearer's origin, identity, and nationality. Under U.S. law,

the Secretary of State has the authority to issue passports. Only U.S. nationals[3] may obtain a U.S. passport, and evidence of citizenship or nationality is required with every passport application. Federal regulations list those who do not qualify for a U.S. passport, including those who are subjects of a federal felony warrant.

State Passport Operations

The Deputy Assistant Secretary for Passport Services oversees the Passport Services Office, the largest component of State's Consular Affairs Bureau. Passport Services consists of three headquarters offices: Policy Planning and Legal Advisory Services; Field Operations; and Information Management and Liaison. Also within Consular Affairs is the Office of Consular Fraud Prevention, which addresses passport, visa, and other types of consular fraud; the Consular Systems Division, responsible for the computer systems involved in passport services and other consular operations; and the Office for American Citizens Services, which handles most issues relating to passport cases at overseas posts. The Bureau of Diplomatic Security is responsible for investigating individual cases of suspected passport and visa fraud. The State Department Office of the Inspector General (OIG) also has some authority to investigate passport fraud.

State operates 16 domestic passport-issuing offices, which employ approximately 480 passport examiners who approve and issue most U.S. passports that are printed each year. The number of passports issued by domestic passport offices has risen steadily in recent years, increasing from about 7.3 million in fiscal year 2000 to 8.8 million in fiscal year 2004. Overseas posts deal with a much lower volume of passports by comparison, handling about 300,000 worldwide in fiscal year 2004.

Passport Application and Approval Process

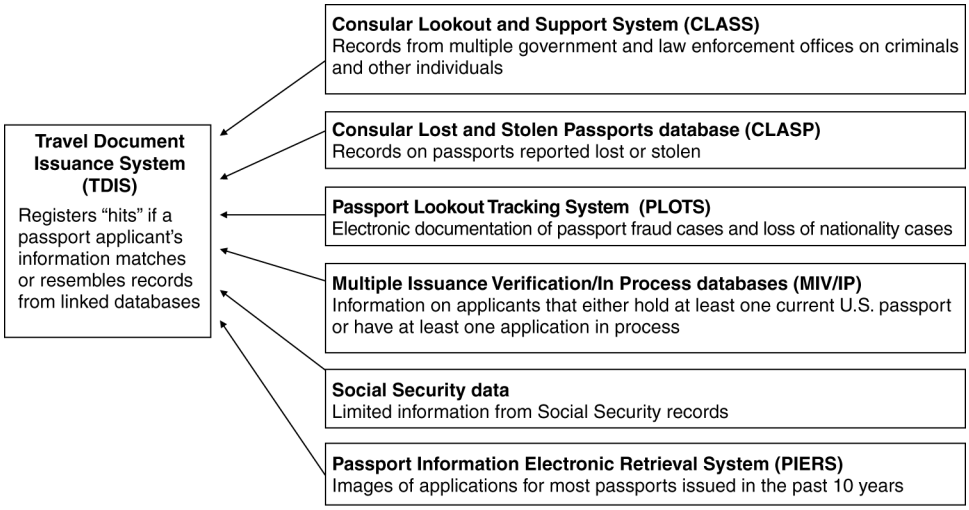
The majority of passport applications are submitted by mail or in-person at one of almost 7,000 passport application acceptance facilities nationwide.[4] The passport acceptance agents at these facilities are responsible for, among other things, verifying whether an applicant's identification document (such as a driver's license) actually matches the applicant.

[3]National means a citizen of the United States or a noncitizen owing permanent allegiance to the United States.

[4]Number is as of March 2005. State officials noted that this number changes frequently as new acceptance facilities are added and others are dropped.

Then, through a process called adjudication, passport examiners determine whether they should issue each applicant a passport. Adjudication requires the examiner to scrutinize identification and citizenship documents presented by applicants to verify their identity and U.S. citizenship. The passport adjudication process is facilitated by computer systems, including the Travel Document Issuance System, which appears on passport examiners' screens when the adjudication begins and automatically checks the applicant's name against several databases. Figure 1 identifies the key computer databases available to help examiners adjudicate passport applications and detect potential fraud.

Figure 1: Electronic Databases Available to Passport Examiners



Source: State Department.

In addition, examiners scrutinize paper documents and other relevant information during the fraud detection process, watch for suspicious behavior and travel plans, and request additional identification when they feel the documents presented are insufficient. When examiners detect potentially fraudulent passport applications, they send the applications to their local fraud prevention office for review and potential referral to State's Bureau of Diplomatic Security for further investigation.

Identity Theft a Primary Means of Committing Fraud

State's Bureau of Diplomatic Security investigators stated that imposters' use of assumed identities, supported by genuine but fraudulently obtained identification documents, was a common and successful way to fraudulently obtain a U.S. passport. This method accounted for 69 percent of passport fraud detected in fiscal year 2004. Investigators found numerous examples of aliens and U.S. citizens obtaining U.S. passports using a false identity or the documentation of others to hide their true identity. In one example, in 1997, a naturalized U.S. citizen born in Cuba stole a Lear jet and transported it to Nicaragua. At the time of his arrest in 2003, he was using an assumed identity and possessed both false and legitimate but fraudulently obtained identification documents, including a U.S. passport in the name he used while posing as a certified pilot and illegally providing flight instruction. Seized at his residence when he was arrested were two Social Security cards, four driver's licenses, three Puerto Rican birth certificates, one U.S. passport, one pilot identification card, numerous credit cards and checking account cards, and items used to make fraudulent documents. In October 2004, he pled guilty to knowingly possessing five or more "authentication devices" and false identification documents, for which he was sentenced to 8 months confinement. In another case, a man wanted for murdering his wife obtained a Colorado driver's license and a passport using a friend's Social Security number and date and place of birth. Three and four years later he obtained renewal and replacement passports, respectively, in the same assumed identity. He was later arrested and pled guilty to making a false statement in an application for a passport. He was sentenced to about 7 months time served and returned to California to stand trial for murdering his wife.

Applicants commit passport fraud through other means, including submitting false claims of lost, stolen, or mutilated passports; child substitution; and counterfeit citizenship documents. Some fraudulently obtain new passports by claiming to have lost their passport or had it stolen or damaged. For example, one individual who used another person's Social Security number and Ohio driver's license to report a lost passport obtained a replacement passport through the one-day expedited service. This fraudulently obtained passport was used to obtain entry into the United States 14 times in less than three years. Diplomatic Security officials told us that another means of passport fraud is when individuals obtain replacement passports by using expired passports containing photographs of individuals they closely resemble. This method of fraud is more easily and commonly committed with children, with false applications based on photographs of children who look similar to the

child applicant.[5] Assuming the identity of a deceased person is another means of fraudulently applying for a passport.

Passports Used to Commit Other Crimes

According to State Bureau of Diplomatic Security documents, passport fraud is often commited in connection with other crimes, including narcotics trafficking, organized crime, money laundering, and alien smuggling. According to Diplomatic Security officials, concerns exist within the law enforcement and intelligence communities that passport fraud could also be used to help facilitate acts of terrorism. Using a passport with a false identity helps enable criminals to conceal their movements and activities, and U.S. passports provide their holders free passage into our country with much less scrutiny than is given to foreign citizens. U.S. passports also allow visa-free passage into many countries around the world, providing obvious benefits to criminals operating on an international scale. According to State officials, the most common crime associated with passport fraud is illegal immigration. For example, one woman was recently convicted for organizing and leading a large-scale passport fraud ring that involved recruiting American women to sell their children's identities, so that foreign nationals could fraudulently obtain passports and enter the United States illegally. According to the Department of State, the woman targeted drug-dependent women and their children, paying them about $300 for each identity and then using the identities to apply for passports. The woman then sold the fraudulently obtained passports to illegal aliens for as much as $6,000 each.

State Faces Challenges to Fraud Detection Efforts

One of the key challenges to State's fraud detection efforts is limited interagency information sharing. Specifically, State currently lacks access to the Terrorist Screening Center's consolidated terrorist watch list database, which was created in 2003 to improve information sharing among government agencies. By consolidating terrorist watch lists, TSC is intended to enable federal agencies to access critical information quickly when a suspected terrorist is encountered or stopped within the United States, at the country's borders, or at embassies overseas. However, because State's CLASS name-check database does not contain the TSC information, U.S. citizens with possible ties to terrorism could potentially

[5]In an effort to address this problem, State established a new requirement in February 2004 that children aged 14 and under appear with their parents when applying for a passport to allow comparison of the children to the photographs being submitted.

obtain passports and travel internationally without the knowledge of appropriate authorities.

Although TSC has been operational since December 2003, State and TSC did not begin exploring the possibility of uploading data from the TSC database into passport CLASS until December 2004. State and TSC have not reached an agreement about information-sharing, though State sent an official proposal to TSC in January 2005. A TSC official told us that she does not foresee any technical limitations, and added that TSC agrees that it is important to work out an agreement with State. We recommended that State and other parties expedite such arrangements, and State said that it and the TSC are actively working to do so.

CLASS Does Not Include Names of All Wanted Federal and State Fugitives

Because the FBI and other law enforcement agencies do not currently provide State with the names of all individuals wanted by federal law enforcement authorities, State's CLASS name-check system does not contain the names of many federal fugitives, some wanted for murder and other violent crimes; these fugitives could therefore obtain passports and potentially flee the country. The subjects of federal felony arrest warrants are not entitled to a U.S. passport. According to FBI officials, FBI databases contain the names of approximately 37,000 individuals wanted on federal charges. State Department officials acknowledge that many of these individuals are not listed in CLASS. We tested the names of 43 different federal fugitives and found that just 23 were in CLASS; therefore, passport examiners would not be alerted about the individuals' wanted status if any of the other 20 not in CLASS applied for a passport. In fact, one of these 20 did obtain an updated U.S. passport 17 months after the FBI had listed the individual in its database as wanted. A number of the 20 federal fugitives who were included in our test and were found not to be in CLASS were suspected of serious crimes, including murder. One was on the FBI's Ten Most Wanted list. Table 1 lists the crimes suspected of the federal fugitives in our test.

Table 1: Crimes Suspected of 20 Federal Fugitives Not in CLASS Who Were Included in Our Test

Type of crime	Number of fugitives
Murder	5
Felonious assault and related crimes	2
Child sex offenses	4
Drug trafficking	3
Attempted murder	1
Bombings	1
Other crimes	4

Sources: Various law enforcement agency databases and Web sites and the State Department's CLASS name-check system.

State officials told us that they had not initiated efforts to improve information sharing with the FBI on passport-related matters until the summer of 2004 because they had previously been under the impression that the U.S. Marshals Service was already sending to CLASS the names of all fugitives wanted by federal law enforcement authorities. State officials were not aware that the information in the U.S. Marshal's database was not as comprehensive as that contained in the FBI-operated National Crime Information Center database. State officials became aware of this situation when the union representing passport examiners brought to their attention that a number of individuals on the FBI's Ten Most Wanted list were not in CLASS. In the summer of 2004, the FBI agreed to State's request to provide the names from the FBI's Ten Most Wanted list. As part of these discussions, State and the FBI explored other information-sharing opportunities as well, and FBI headquarters officials sent a message instructing agents in its field offices how to provide names of U.S. citizens who are FBI fugitives to State on a case-by-case basis.

Additionally, State began discussions with the FBI about receiving information on individuals with FBI warrants on a more routine and comprehensive basis. According to FBI officials, State requested that the FBI provide only the names of FBI fugitives and not those of individuals wanted by other federal law enforcement entities. However, the FBI is the only law enforcement agency that systematically compiles comprehensive information on individuals wanted by all federal law enforcement agencies, and, according to FBI officials, it is the logical agency to provide such comprehensive information to State. We recommended that State expedite arrangements to enhance interagency information sharing with the FBI to ensure that the CLASS system contains a more comprehensive

list of federal fugitives. According to State, it sent a written request on this issue to the FBI in April 2005. State also noted that it had reached agreement in principal with the FBI on information sharing efforts related to FBI fugitives.

In addition to its role in compiling information on federal fugitives, the FBI is also the only law enforcement agency that compiles comprehensive information on individuals wanted by state and local authorities. According to FBI officials, FBI databases contain the names of approximately 1.2 million individuals wanted on state and local charges nationwide. FBI officials told us that some of the most serious crimes committed often involve only state and local charges. We tested the names of 24 different state fugitives and found that just 7 were in CLASS; therefore, the CLASS system would not flag any of the other 17, were they to apply for a passport.[6] Table 2 lists the crimes suspected of the 17 tested state fugitives not in CLASS who were included in our test.

Table 2: Crimes Suspected of 17 State Fugitives Not in CLASS Who Were Included in Our Test

Type of crime	Number of fugitives
Murder	4
Felonious assault and related crimes	7
Child sex offenses	1
Attempted murder	1
Child kidnapping	1
Other crimes	3

Sources: Various law enforcement agency databases and Web sites and the State Department's CLASS name-check system.

During our review, State Department officials told us that having a comprehensive list of names that included both federal and state fugitives could "clog" State's CLASS system and slow the passport adjudication process. They also expressed concern that the course of action required of State would not always be clear for cases involving passport applicants wanted on state charges. We recommended that State work with the FBI to ensure that the CLASS system contains a more comprehensive list of

[6]We also noted that 10 of the 20 tested federal fugitives that were not in CLASS were also wanted on state charges. Thus, if State fugitives had been listed in CLASS, these individuals would have been flagged, even if information on their federal warrants had been missed.

state fugitives. In commenting on a draft of our report, State said that it now intends to work with the FBI and U.S. Marshals Service to establish an automated mechanism for integrating information on state warrants into CLASS.

Limited Intra-agency Information Sharing May Be Affecting Fraud Detection

State does not maintain a centralized and up-to-date electronic fraud prevention library, which would enable passport-issuing office personnel to efficiently share fraud prevention information and tools. As a result, fraud prevention information is provided inconsistently to examiners among the 16 domestic offices. For example, at some offices, examiners maintain individual sets of fraud prevention materials. Some print out individual fraud alerts and other related documents and file them in binders. Others archive individual e-mails and other documents electronically. Some examiners told us that the sheer volume of fraud-related materials they receive makes it impossible to maintain and use these resources in an organized and systematic way.

Other information sharing tools have not been effectively maintained. Consular Affairs' Office of Consular Fraud Prevention maintains a Web site and "e-room" with some information on fraud alerts, lost and stolen state birth documents, and other resources related to fraud detection, though fraud prevention officials told us the Web site is not kept up to date, is poorly organized, and is difficult to navigate. We directly observed information available on this Web site during separate visits to State's passport-issuing offices and noted that some of the material was outdated by as much as more than a year. The issuing office in Seattle developed its own online fraud library that included information such as the specific serial numbers of blank birth certificates that were stolen, false driver's licenses, fraud prevention training materials, and a host of other fraud prevention information resources and links. However, this library is no longer updated. Most of the 16 fraud prevention managers we talked to believed that the Bureau of Consular Affairs should maintain a centralized library of this nature for offices nationwide.

We recommended that State establish and maintain a centralized and up-to-date electronic fraud prevention library that would enable passport agency personnel at different locations across the United States to efficiently access and share fraud prevention information and tools. Commenting on our draft report, State said that it now intends to design a centralized online passport "knowledgebase" that will include extensive sections on fraud prevention resources.

Staffing Change Reduced Time Available to Review Fraud Cases

In January 2004, State eliminated the assistant fraud prevention manager position that had existed at most of its domestic passport-issuing offices, and most Fraud Prevention Managers believe that this action was harmful to their fraud detection program. State eliminated the position primarily to enable more senior passport examiners to serve in that role on a rotational basis to gain deeper knowledge of the subject matter and enhance overall fraud detection efforts when they returned to adjudicating passport applications. However, managers at 10 of the 12 offices that previously had permanent assistants told us that the loss of this position had been harmful to their fraud detection program. In particular, managers indicated that the loss of their assistant impacted their own ability to concentrate on fraud detection by adding to their workload significant additional training, administrative, and networking responsibilities, while also diverting from their fraud trend analysis and preparation of reports and case referrals.

Fraud Prevention Managers and other State officials have linked declining fraud referrals to the loss of the assistant fraud prevention manager position. In the 12 offices that previously had permanent assistants, fraud referral rates from the managers to Diplomatic Security decreased overall by almost 25 percent from fiscal year 2003 through 2004,[7] the period during which the position was eliminated, and this percentage was much higher in some offices.[8] Without their assistants helping them screen fraud referrals, check applicant information, and assist with other duties related to the process, managers said they are making fewer fraud referrals to Diplomatic Security because they lack the time and do not believe they can fully rely on new rotational staff to take on these responsibilities.

We recommended that State consider designating additional positions for fraud prevention coordination and training in domestic passport-issuing offices. Passport Services management told us they were not planning to re-establish the permanent assistant role, but that they are in the process of filling one to two additional fraud prevention manager positions at each of the 2 offices with the largest workloads nationwide. State also plans to establish one additional fraud prevention manager position at another

[7]In the 4 offices that did not previously have permanent assistants, fraud referral rates decreased on average by only 7 percent during the same period.

[8]Two offices that had assistant fraud prevention managers in 2003 saw increases in their fraud referral rates. These 2 offices received just over 8 percent of the total applications received by offices that had assistants.

issuing office with a large workload. Commenting on our draft report, State said that it would now also consider rotating GS-12 Adjudication Supervisors through local fraud prevention offices to relieve Fraud Prevention Managers of some of their training responsibilities.

Interoffice Transfers of Passport Adjudication Workload Result, in Some Cases, in Fewer Fraud Referrals Back to Originating Office

State routinely transfers adjudication cases among the different offices to balance workloads, and Fraud Prevention Managers at a number of issuing offices said they had noticed a lower percentage of fraud referrals returned to them from the 3 offices that were assigned a bulk of the workload transfers. In fiscal year 2004, 28 percent of passport applications were transferred to 1 of these 3 offices for adjudication, while other issuing offices adjudicated 72 percent. Although these 3 offices received 28 percent of the applications, they provided only 11 percent of total fraud referrals to the originating agencies. For fiscal year 2003, the 3 processing centers adjudicated 26 percent of the applications but provided only 8 percent of the fraud referrals. In 2004, 1 of the issuing offices transferred out to processing centers 63 percent of its applications (about 287,000) but received back from the processing centers only 2 percent of the fraud referrals it generated that year. In 2003, this office transferred out 66 percent of its workload while receiving back only 8 percent of its total fraud referrals.

Fraud Prevention Managers and other officials told us that one reason fewer fraud referrals return from these 3 offices is that passport examiners handling workload transfers from a number of different regions are not as familiar with the demographics, neighborhoods, and other local characteristics of a particular region as are the examiners who live and work there. For example, some officials noted that, in instances when they suspect fraud, they might telephone the applicants to ask for additional information so they can engage in polite conversation and ask casual questions, such as where they grew up, what school they attended, and other information. The officials noted that, due to their familiarity with the area, applicants' answers to such questions may quickly indicate whether or not their application is likely to be fraudulent. One examiner in an office that handled workload transfers from areas with large Spanish-speaking populations said that the office had an insufficient number of Spanish-speaking examiners, emphasizing the usefulness of that skill in detecting dialects, accents, handwriting, and cultural references that conflict with information provided in passport applications.

We recommended that State assess the extent to which and reasons why workload transfers from one domestic passport issuing office to another

were, in some cases, associated with fewer fraud referrals and to take any corrective action that may be necessary. In its official comments on our draft report, State did not address this recommendation.

State Lacks Established Refresher Training; Such Training Is Provided Unevenly

State has not established a core curriculum and ongoing training requirements for experienced passport examiners, and thus such training is provided unevenly at different passport-issuing offices. While State recently developed a standardized training program for new hires that was first given in August 2004, we reviewed the training programs and materials at all 7 issuing offices we visited and discussed the programs and materials at other offices with the remaining nine Fraud Prevention Managers by telephone and found that the topics covered and the amount and depth of training varied widely by office. Some had developed region-specific materials; others relied more heavily on materials that had been developed by passport officials in Washington, D.C., and were largely outdated. Some scheduled more regular training sessions, and others did so more sporadically. Several examiners told us they had not received any formal, interactive fraud prevention training in at least 4 years. Some Fraud Prevention Managers hold brief discussions on specific fraud cases and trends at monthly staff meetings, and they rely on these discussions to serve as refresher training. Some Fraud Prevention Managers occasionally invite officials from other government agencies, such as the Secret Service or DHS, to share their fraud expertise. However, these meetings take place only when time is available. For example, officials at one issuing office said the monthly meetings had not been held for several months because of high workload; another manager said he rarely has time for any monthly meetings; and two others said they do not hold such discussions but e-mail to examiners recent fraud trend alerts and information.

We recommended that State establish a core curriculum and ongoing fraud prevention training requirements for all passport examiners. State said that it is implementing a standardized national training program for new passport examiners but that it is still providing training to existing passport examiners on a decentralized basis. State officials told us that they intend to develop a national training program for experienced examiners, after certain organizational changes are made in State's headquarters passport operation.

Sporadic Training and Limited Oversight of Acceptance Agents Constitute Significant Fraud Vulnerability

Numerous passport-issuing agency officials and Diplomatic Security investigators told us that the acceptance agent program is a significant fraud vulnerability. Examples of acceptance agent problems that were brought to our attention include important information missing from documentation and identification photos that did not match the applicant presenting the documentation. Officials at one issuing office said that their office often sees the same mistakes multiple times from the same acceptance facility. These officials attributed problems with applications received through acceptance agents to the sporadic training provided for and limited oversight of acceptance agents. State has almost 7,000 passport acceptance agency offices, and none of the 16 issuing offices provide comprehensive annual training or oversight to all acceptance agency offices in their area. Instead, the issuing offices concentrate their training and oversight visits on agency offices geographically nearest to the issuing offices, or in large population centers, or where examiners and Fraud Prevention Managers had reported problems, or in high fraud areas. Larger issuing offices in particular have trouble reaching acceptance agency staff. At one larger issuing office with about 1,700 acceptance facilities, the Fraud Prevention Manager said he does not have time to provide acceptance agent training and that it is difficult for issuing office staff to visit many agencies. A manager at another large issuing office that covers an area including 11 states said she does not have time to visit some agencies in less populated areas.

While State officials told us all acceptance agency staff must be U.S. citizens, issuing agency officials told us they have no way of verifying that all of them are. Management officials at one passport-issuing office told us that, while their region included more than 1,000 acceptance facilities, the office did not maintain records of the names of individuals accepting passport applications at those facilities.

We recommended that State strengthen its fraud prevention training efforts and oversight of passport acceptance agents. In commenting on a draft of our report, State said that it is adapting and expanding computer-based training for U.S. Postal Service acceptance facilities for more widespread use among acceptance agents nationwide. State also indicated that it would institute a nationwide quality review program for its acceptance facilities. However, State officials recently told us that the quality reviews would focus only on new acceptance facilities and existing facilities with reported problems. It is unclear whether State will perform quality reviews for the rest of its nearly 7,000 facilities.

Overstretched Investigative Resources Hinder Fraud Detection

Although State's Bureau of Diplomatic Security has provided additional resources for investigating passport fraud in recent years, its agents must still divide their time among a number of competing demands, some of which are considered a higher priority than investigating passport fraud. A Diplomatic Security official told us that, after the September 11th terrorist attacks, the bureau hired about 300 additional agents, at least partially to reduce investigative backlogs.[9] Diplomatic Security and passport officials told us that, while the increased staff resources had helped reduce backlogs to some degree, agents assigned to passport fraud investigations are still routinely pulled away for other assignments. At most of the offices we visited, few of the agents responsible for investigating passport fraud were actually there. At one office, all of the agents responsible for investigating passport fraud were on temporary duty elsewhere, and the one agent covering the office in their absence had left his assignment at the local Joint Terrorism Task Force to do so. Agents at one office said that five of the eight agents involved in passport fraud investigations there were being sent for temporary duty in Iraq, as were many of their colleagues at other offices.

Agents at all but 2 of the 7 bureau field offices we visited said they are unable to devote adequate time and continuity to investigating passport fraud. We noted that the number of new passport fraud investigations had declined by more than 25 percent over the last five years, though Diplomatic Security officials attributed this trend, among other factors, to refined targeting of cases that merit investigation. The Special-Agent-in-Charge of a large Diplomatic Security field office in a high fraud region expressed serious concern that, in 2002, the Bureau of Diplomatic Security began requiring, to reduce backlog of old cases, that most cases be closed after 12 months, whether or not the investigations were complete. The agent said that about 400 incomplete cases at his office were closed. A Diplomatic Security official in Washington, D.C., told us that, while field offices had been encouraged to close old cases that were not likely to be resolved, there had not been a formal requirement to do so. State officials agreed that Diplomatic Security agents are not able to devote adequate attention to investigating passport fraud, and told us that the Bureau of Diplomatic Security plans to hire 56 new investigative agents over the next few years. According to State officials, these new investigators will be

[9]State officials also noted that the Bureau of Consular Affairs funds more than 120 Diplomatic Security agent positions nationwide to help support efforts to investigate passport fraud.

solely dedicated to investigating passport and visa fraud and will not be pulled away for other duty.

Effect of New Examiner Performance Standards on Fraud Detection Remains Unclear

Although State's approach to developing new nationwide passport examiner production standards, implemented in January 2004, raises methodological concerns, subsequent changes to the standards make an assessment of their impact on fraud detection premature. State developed new nationwide passport examiner production standards in an effort to make performance expectations and work processes more uniform among its 16 issuing offices. However, State tested examiner production before standardizing the passport examination process; differences in work processes across offices at the time of the test limited the validity of the test results. State then used the results in conjunction with old standards to set new nationwide standards. The new standards put additional emphasis on achieving quantitative targets. Responding to concerns about their fairness due to changes that may have slowed the examination process, as well concerns that the new standards led examiners to take "shortcuts" in the examination process to meet their number targets, State made a number of modifications to the production standards during the year. The various modifications have made it unclear what impact the standards have had on passport fraud detection.

Madam Chairman, this completes my prepared statement. I would be happy to respond to any questions you or other Members of the Committee may have at this time.

Contacts and Acknowledgments

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