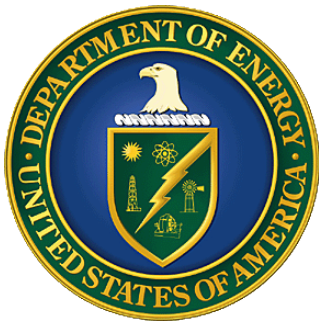

U.S. Department of Energy

Office of Inspector General

Office of Audits and Inspections

AUDIT REPORT

Follow-up on the Department of Energy's Acquisition and Maintenance of Software Licenses

DOE/IG-0920

September 2014

Department of Energy
Washington, DC 20585

September 30, 2014

MEMORANDUM FOR THE SECRETARY

FROM: Gregory H. Friedman
Inspector General

SUBJECT: INFORMATION: Audit Report on "Follow-up on the Department of Energy's Acquisition and Maintenance of Software Licenses"

BACKGROUND

The Department of Energy spends at least $1.4 billion per year on information technology to support its mission of ensuring the Nation's security and prosperity by addressing energy, environmental and nuclear challenges through science and technology solutions. To accomplish this mission, the Department's Federal employees and facility contractors rely on commercial-off-the-shelf software for a multitude of services, including office automation, document management, virtualization and engineering analysis. Given the size of the Department's investment, management of information technology, including software licenses, plays an important role in achieving the Department's mission.

In January 2006, an Office of Inspector General report on the *Management of the Department's Desktop Computer Software Enterprise License Agreements* (DOE/IG-0718) found that the Department had not adequately managed the acquisition and maintenance of software licenses. The report noted that the Department spent about $4.1 million more than necessary over a 5-year period to acquire and maintain desktop software. In some cases, agreements and contracts entered into by Department organizations were as much as 300 percent more than those available through the Department's enterprise agreements. The review also identified that the Department lacked enterprise-wide agreements for common products such as security and antivirus software. Executive Order 13589, *Promoting Efficient Spending*, requires agencies to assess current usage to ensure that they are not paying for unused or underutilized software. In addition, the Office of Management and Budget recently issued guidance to promote sound strategic sourcing practices across the Federal government. We initiated this follow-up audit to determine whether the Department effectively managed the acquisition and maintenance of its software licenses.

RESULTS OF AUDIT

Although the Department had made progress in addressing our prior recommendations, we found that it had not adequately managed the acquisition and maintenance of computer software licenses. We determined that programs and sites routinely paid more than necessary when acquiring software licenses and generally had not maintained an inventory of software to assist with management of licenses. In particular:

- Our review of software purchase data revealed that for the limited range of software products we were able to evaluate, programs and sites spent approximately $600,000 more than necessary during a 3-year period. For example, we identified at least 52 instances where pricing for common products such as office automation, document management and engineering software varied widely. We also identified 11 instances at Sandia National Laboratories where employees used a purchase card to acquire software licenses at higher prices than those established for the identical product in the organization's software management system.

- The price per license paid by the Department was often greater than established government-wide acquisition contract prices available to all Federal agencies. For example, the Department paid $250 more for document management software than the price available using a National Aeronautics and Space Administration contract vehicle. We also identified many instances where the Department's cost per software license was more than the price offered by the General Services Administration. In one instance, the Department paid $463 more than necessary for a version of document management software.

- While some sites had partially implemented software management systems since our prior report, none of the Federal and contractor sites visited were able to provide a complete inventory of software licenses. Specifically, although management noted in response to our prior report that it would develop policy and guidance related to maintaining an inventory of software licenses, the Office of the Chief Information Officer was unable to provide a comprehensive inventory for all software licenses. Likewise, Sandia National Laboratories could not account for all software licenses acquired using purchase cards. As noted by Federal guidance and industry best practices, implementation of a software asset management system can help organizations inventory and assess the state of installed software across systems. Our findings are consistent with a recent Government Accountability Office report on *Federal Software Licenses – Better Management Needed to Achieve Significant Savings Government-Wide* (GAO-14-413, May 2014), which identified that the Department had not adequately tracked software licenses.

The issues identified occurred, in part, because the Department had not developed and implemented a fully effective strategy for acquiring and managing software licenses. Specifically, contrary to a 2011 Office of Management and Budget memorandum directing agencies to pool purchasing power to drive down costs and improve service, the Department continued to utilize a fragmented approach without a formal process for ensuring that software purchases were coordinated between Headquarters and/or field sites. Our review found that the National Nuclear Security Administration, several of the Department's National Laboratories and the Office of the Chief Information Officer were each independently working towards or had negotiated their own enterprise-wide agreements. In addition, four sites reviewed had not effectively implemented systems to account for all software licenses. For example, Argonne National Laboratory had not fully deployed its asset management tool on every computer on the network and had not implemented capabilities to integrate it with the site's procurement system, which could have allowed it to update software license information at the time of purchase. The

Office of the Chief Information Officer indicated that the decentralized structure of the Department contributed to the weaknesses identified. While we agree, we believe that more effective coordination among programs and sites is a critical step in the process to help overcome this obstacle.

The Department had taken a number of actions to improve the management and acquisition of software licenses since our prior report was issued. In particular, officials recently updated the *DOE Acquisition Guide* to emphasize the importance of strategic sourcing to reduce costs. Furthermore, Office of the Chief Information Officer officials told us that the Enterprise-Wide Agreement Integrated Project Team established numerous enterprise agreements for commonly used software that resulted in significant savings. Four sites reviewed also either had implemented or were in the process of implementing site-specific systems with the capability to manage and/or procure software licenses from a central location. In addition, Lawrence Berkeley National Laboratory was analyzing use of office automation software to determine whether it could reduce costs while still meeting user needs.

While these were positive actions, more work remains to ensure effective software asset management. As such, we have made recommendations to help the Department effectively manage the acquisition and maintenance of software licenses and realize potential savings of up to approximately $600,000 over the next 3 years at just the locations reviewed. We believe that actual unnecessary expenditures and related potential savings may be significantly higher than our calculations demonstrate due to the lack of information available at sites regarding software purchases. In addition, because our review was limited to 10 sites, the results only represent a portion of the Department's software purchases to support its approximately 115,000 Federal and contractor employees across the complex.

MANAGEMENT REACTION

Management concurred with the report's recommendations and indicated that corrective actions had been taken or were planned to address the issues identified. While management's comments indicated that many corrective actions had been completed to address our recommendations, the findings in our report indicated that additional work is necessary. Management's comments and our responses are summarized in the body of the report. Management's formal comments are included in their entirety in Appendix 3.

Attachment

cc: Deputy Secretary
Under Secretary for Nuclear Security
Deputy Under Secretary for Management and Performance
Deputy Under Secretary for Science and Energy
Chief of Staff

AUDIT REPORT ON FOLLOW-UP ON THE DEPARTMENT OF ENERGY'S ACQUISITION AND MAINTENANCE OF SOFTWARE LICENSES

TABLE OF CONTENTS

Audit Report

Appendices

FOLLOW-UP ON THE DEPARTMENT OF ENERGY'S ACQUISITION AND MAINTENANCE OF SOFTWARE LICENSES

DETAILS OF FINDING

The Department of Energy's (Department) Federal and contractor locations had not adequately managed the acquisition and maintenance of computer software licenses. Specifically, the Department paid more than necessary to acquire software licenses and did not always take advantage of existing enterprise software agreements. In addition, Department programs and sites had not adequately maintained an inventory of all software, a key control necessary to help manage software expenses. In addition to obvious financial benefits associated with enhanced management of software licenses, an inventory of software licenses would allow the Department to better protect its information technology resources from cybersecurity compromises by helping to identify those software applications that may require regular security updates. Our software inventory findings are consistent with a recent Government Accountability Office report on *Federal Software Licenses – Better Management Needed to Achieve Significant Savings Government-Wide* (GAO-14-413, May 2014), which noted that the Department had not adequately tracked software licenses.

Software License Acquisition

We determined that the Department spent approximately $600,000 more than necessary during a 3-year period to acquire software licenses at the locations we reviewed. For common products such as office automation, document management and engineering software, we identified at least 52 instances where pricing for available products varied by more than $50 per license. At Headquarters, one program office paid $1,106 for document management software even though another program office paid only $595 for the same product, a difference of $511 (46 percent). Similarly, Los Alamos National Laboratory paid $93 (15 percent) more than Lawrence Berkeley National Laboratory for the same document management software. Our review also identified a price difference of approximately $2,700 per license for popular engineering software at two sites.

We identified numerous instances at Sandia National Laboratories where users had utilized a purchase card to acquire software licenses at higher prices than those established within the organization's software management system. For example, we identified at least 10 instances of purchase card users paying more than necessary to acquire office automation software – sometimes paying up to $164 more per license than the price available through the software management system. In another instance, the price paid for engineering software using a purchase card exceeded the price available in the software management system.

In addition to varying prices paid when compared across and within Department locations, we identified numerous instances where the price paid per software license to the Department were greater than the established government-wide acquisition contract prices available to all Federal agencies. For example, the Department paid $250 (29 percent) more per license for one product than the cost available through a government-wide acquisition contract established by the National Aeronautics and Space Administration and available for use by all Federal agencies.

We also identified many instances where the Department paid more than the price available through the General Services Administration, including one example where it paid $463 more than necessary for a single version of document management software.

While we attempted to identify all excessive costs, our analysis was limited due to a lack of information regarding software purchases at each of the locations reviewed.[1] For example, at one location, we found that 10 percent of the sampled software purchases contained errors related to the prices identified in the site's purchase records. Therefore, we excluded those items from our estimated cost savings. The table below details potential excessive expenditures over a 3-year period for certain software products based on data we were able to obtain.

	FISCAL YEAR		
PRODUCT	2010	2011	2012
Document Management Software	$99,634	$98,510	$116,799
Office Automation Software	$53,023	$139,348	$60,864
Virtualization Software	$3,882	$3,859	$6,945
Engineering Software	$920	$1,812	$650
Screen Capture Software	$8,130	$2,520	$2,823
Subtotal	*$165,589*	*$246,049*	*$188,081*
	TOTAL EXCESSIVE EXPEDITURES		**$599,719**

Software License Inventory

The Department had not maintained an inventory of software licenses to ensure the software management process was cost-effective and securely managed. While some sites had implemented software management systems, none of the Federal and contractor locations visited were able to provide a complete inventory of software licenses. For instance, we found:

- Although the Department implemented a common operating environment for the majority of program and staff offices at Headquarters, the Office of the Chief Information Officer (OCIO) was unable to provide a comprehensive inventory of all software licenses. In fact, the Department's response to a recent Government Accountability Office report indicated that the OCIO collected software information on less than one-half of Federal users.

- Even though Sandia National Laboratories implemented the Software Asset Management System to track software and facilitate the procurement of licenses**,** officials were unable to provide a complete inventory of software. Specifically, during our review, a Laboratory official informed us that not all software acquired using a purchase card was registered in the Software Asset Management System. Failure of the site to account for all software purchases could prevent officials from ensuring compliance with software agreements and identifying redundant purchases or other cost-savings opportunities.

[1] The data provided by the sites in some cases lacked the necessary product description information and thus did not allow for a comprehensive analysis of all software products.

As noted by the National Institute of Standards and Technology, implementation of a software asset management system can help an organization inventory its software and provide accurate, timely information to assess the current state of installed software across its information technology systems. Furthermore, accurate inventory records can assist a program and site in determining whether it is fully utilizing procured licenses and/or whether it is compliant with vendor license agreements.

Software Acquisition and Inventory Methods

The issues identified occurred, in part, because the Department had not developed and implemented a fully effective strategy for acquiring and maintaining an inventory of software licenses. Specifically, contrary to Federal guidance, the Department continued to utilize a fragmented approach to software acquisition and had not ensured that purchases were pooled among all Department organizations, when appropriate. In addition, sites reviewed had not implemented effective processes to account for all software licenses.

Coordination of Software Acquisitions

The Department paid more than necessary to procure software licenses because program and site officials had not ensured that purchases were appropriately coordinated to obtain the lowest available price. In addition, officials had not utilized existing government-wide acquisition contracts available for use by all agencies, when appropriate.

We found that attempts to improve collaborative efforts resulted in the establishment of multiple, independent working groups that were often not adequately coordinated. As noted in a 2011 Office of Management and Budget memorandum, agency Chief Information Officers were directed to pool agency purchasing power to drive down costs and improve service for commodity information technology. A primary goal of the Department's Information Technology Modernization Strategy is to provide Department governance, policy and oversight processes to ensure secure, efficient and cost-effective use of information technology resources. However, we noted that the National Nuclear Security Administration (NNSA) Supply Chain Management Center, the Department's Integrated Contractor Purchasing Team and the OCIO's Enterprise-Wide Agreements Integrated Project Team were each independently working towards or had negotiated their own enterprise-wide agreements rather than using aggregated bulk purchase agreements to minimize costs.

In addition, our analysis found that the Integrated Project Team was not always collaborative because various programs and sites were not actively participating. While an OCIO official noted that the Integrated Project Team was supposed to hold quarterly meetings, we found no meetings had been conducted since October 2012. Furthermore, various officials we spoke with at Los Alamos National Laboratory – one of the largest management and operating contractors within the Department – were unaware of the Integrated Project Team until we informed them of the working group's existence and had not participated in the team's activities. One of the objectives to achieve the Information Technology Modernization Strategy is to reduce the number of product and service procurement vehicles, allowing the Department to leverage its collective buying power to simplify and reduce the cost and complexity of acquisitions. During

our review, however, several site individuals indicated that while having a central source of information would benefit them in the procurement of software products, such a mechanism did not exist. With better coordination, the Department could work to establish a central source of information to identify the best available contracts or agreements and potentially reduce acquisition costs and allow Federal and contractor employees to better utilize limited resources.

Software Inventory Processes

Inventory management weaknesses occurred because the sites reviewed had not effectively implemented processes to track all software licenses. Although management noted in response to our prior report that it would develop and implement policy and guidance to support a software license inventory process, we found that Department Order 200.1A, *Information Technology Management*, did not contain a well-defined process that outlined how the Department should conduct its software license inventory process. As such, sites continued to encounter problems with software inventories. For instance, Sandia National Laboratories did not require licenses procured by alternative methods such as purchase cards to be registered in the Software Asset Management System. Rather, it was the user's responsibility to manually add software purchases to the system. However, based on discussions with a site official and review of procurement data, we found that two types of engineering software products costing $7 million over a 3-year period may not have been included in the Software Asset Management System by the users. Furthermore, Lawrence Berkeley National Laboratory managed its software licenses in a decentralized manner at the project, program or division level which limited the site's ability to adequately track software licenses.

Our findings related to software inventory management are consistent with the Government Accountability Office's recent report, which identified that Department-wide software inventory management policies were not developed that encompassed best practices to include centralized software license management, tracking and maintaining of a comprehensive inventory using automated tools, and use of software license data analysis to make cost-effective decisions. We believe that had the Department fully understood what types and quantities of software it acquired, officials would have been in a better position to negotiate lower prices with software vendors.

Opportunities for Improvement

Without improvements in the procurement of software licenses, the Department could potentially pay up to approximately $600,000 more than necessary over the next 3 years at just the locations reviewed. Enhancements to the software acquisition process, including centralizing purchases and the use of enterprise agreements when appropriate, could allow the Department to maximize and leverage its purchasing power as a large Federal entity. We believe that our estimated savings are conservative because our review only focused on a sample of the Department's programs and sites and included only certain types of software licenses used to support the Department's approximately 115,000 Federal and contractor employees.

In addition, absent a complete and accurate software inventory, the Department may be unable to adequately budget for future software costs and will continue to run a higher than necessary risk

of overbuying software licenses. A complete and accurate inventory would also allow the Department to better realize economies of scale by streamlining negotiations for new software agreements. For instance, without a complete inventory of software, the Department may be unable to perform the necessary analysis to determine whether certain software products are eligible for an enterprise agreement. Furthermore, proper knowledge or control of the software deployed at an organization can help cybersecurity officials identify vulnerable software and defend against ongoing threats of compromise.

RECOMMENDATIONS

To address the issues identified in this report, we recommend that the Under Secretary for Nuclear Security, the Deputy Under Secretary for Science and Energy and the Deputy Under Secretary for Management and Performance, in coordination with the Department and National Nuclear Security Administration Chief Information Officers and the Director, Office of Management:

1. Develop and implement a process to ensure that software purchases are coordinated among Federal and contractor entities to the extent practical, including periodic reviews of software purchases across the Department to facilitate the negotiation and use of enterprise agreements.

2. Ensure that all software licenses are appropriately tracked using asset management systems, including registering and/or monitoring license acquisition and usage.

MANAGEMENT RESPONSE

Management concurred with the report's recommendations and indicated that corrective actions had been taken or were planned to address the issues identified. Management agreed that enhancements to the software acquisition process could allow the Department to maximize and leverage its purchasing power as a large Federal entity. Management commented that the Enterprise-wide Strategic Sourcing Program was established to create a comprehensive approach to acquisitions that are strategically driven to ensure maximum value for every dollar spent. Although the program did not coordinate procurement activities across the Department, management noted that it facilitated a strategic approach through guidance and direction. Management indicated that the process to build an effective and efficient information technology program was complicated by the organizational structure of the Department. For instance, management asserted that the use of management and operating contracts impacted coordination efforts and that it cannot dictate the software and hardware used by management and operating contractors. The Office of Management indicated that the fragmented approach identified in our report also occurred with other acquisition activities and noted that it was working towards the development of a policy that would emphasize the use of existing strategic procurement vehicles as part of the procurement planning process.

In response to recommendation one, the OCIO commented that it would continue to encourage consolidation of software package acquisition and the use of volume purchasing arrangements through enterprise-wide agreements and the application of best practices in software implementation. The Office of Science commented that it collaborated with other Department entities on certain software agreements and would collaborate further if deemed practical and beneficial. NNSA management indicated that it will follow the Department's lead and encourage consolidation and use of volume purchasing arrangements. NNSA also commented that it would continue to utilize the Kansas City Plant's Supply Chain Management Center as part of its efforts to mature enterprise-wide processes.

In response to our second recommendation, the OCIO acknowledged that the Department did not have a complete inventory of software licenses, but indicated that it maintained an inventory that included close to 45 percent of Federal users and direct support contractors. In addition, the Office of Science commented that it already tracked all software licenses and considered the recommendation closed. NNSA management indicated that all management and operating contractors must manage software based on contracted licenses and noted that it was working to improve situational awareness of local software inventories.

AUDITOR COMMENTS

Management's comments are generally responsive to our report and recommendations. For instance, the Office of Management's commitment to develop a policy that emphasizes the use of strategic procurements should, if implemented across the Department, help to remediate some of the issues identified in our report. However, while management considered corrective actions completed related to our recommendations, we believe that additional work is necessary. As noted in our report, coordination of software purchases both across and within locations can be improved. For example, our report highlighted numerous examples of programs and sites that

paid varying prices for the same software. In addition, we identified differing prices paid for the same software at the same site. Furthermore, additional work is necessary to ensure that all software licenses are appropriately tracked using asset management systems. While the Office of Science commented that it was already tracking software licenses and considered our recommendation closed, we found that several Office of Science locations encountered weaknesses related to software management. Notably, NNSA's commitment to improve awareness of software inventories at each of its locations is encouraging.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

To determine whether the Department of Energy (Department) effectively managed the acquisition and maintenance of its software licenses.

Scope

The audit was performed between December 2012 and September 2014, at Department Headquarters in Washington, DC, and Germantown, Maryland; Los Alamos National Laboratory, Los Alamos, New Mexico; Sandia National Laboratories, Albuquerque, New Mexico; Argonne National Laboratory and Chicago Office, Argonne, Illinois; Brookhaven National Laboratory, Upton, New York; and Lawrence Berkeley National Laboratory, Berkeley, California. We also obtained information from Pacific Northwest National Laboratory, Richland, Washington; Oak Ridge National Laboratory, Oak Ridge, Tennessee; and Savannah River Site, Aiken, South Carolina. The audit was conducted under Office of Inspector General Project Number A13TG005.

Methodology

To accomplish our audit objective, we judgmentally selected a sample of 10 Department sites. This selection was based primarily on information technology expenditures and follow-up on prior report findings. Because a judgmental sample of Department sites was used, the results were limited to the sites or locations selected. Additionally, we:

- Reviewed applicable laws and regulations pertaining to acquisition and maintenance of software licenses;
- Reviewed applicable standards and guidance issued by the Office of Management and Budget;
- Reviewed prior reports issued by the Office of Inspector General and the Government Accountability Office;
- Held discussions with program officials and personnel from Department Headquarters and field sites reviewed, including representatives from the Offices of the Chief Information Officer, Environmental Management, Science, Fossil Energy, as well as the National Nuclear Security Administration;
- Reviewed numerous documents related to the Department's management and acquisition of software licenses; and
- Used data analysis software to evaluate and compare software license purchases by programs and field sites.

We calculated software acquisition savings by comparing the historical spending patterns of information technology software purchase data for a 3-year period (Fiscal Years 2010 to 2012) at the sites reviewed. We compared the prices paid by the sites for certain common software products to the lowest prices available through other existing agreements to determine potential savings. Our analysis only accounted for software purchases for which detailed information such as product and version could be determined. In addition, the analysis excluded all software maintenance and/or upgrade purchases.

We conducted this performance audit 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. Accordingly, we assessed significant internal controls and the Department's implementation of the *GPRA Modernization Act of 2010*. Because our review was limited, it would not have necessarily disclosed all internal control deficiencies that may have existed at the time of our evaluation. We relied on computer-processed data to satisfy our objectives and tested the completeness and accuracy of such data by comparing a judgmental sample of the information provided by programs and field sites to vendor invoices. Because a judgmental sample of purchase data was selected, results and overall conclusions are limited to the items tested and cannot be projected to the entire population. We determined that the data provided was reasonably reliable for the purposes of our audit objective. In one instance, we found that 5 of 50 (10 percent) vendor invoices for a site contained incorrect data. Therefore, we subtracted 10 percent from the estimated savings for that site to compensate for the incorrect data.

Management waived an exit conference.

RELATED REPORTS

Office of Inspector General

- Special Report on *Management Challenges at the Department of Energy – Fiscal Year 2014* (DOE/IG-0899, November 2013). The Department of Energy (Department) receives an annual appropriation approaching $25 billion, employs more than 115,000 Federal and contractor personnel, and manages assets valued at $180 billion. With its critical important mission in mind, the Office of Inspector General identified what it considers to be the most significant management challenges facing the Department each year. One of the management challenges identified in the Fiscal Year 2014 report pertained to Operational Efficiency and Cost Savings. We concluded that the current economic climate and associated Federal budgetary concerns dictated that finding ways to improve efficiency and reduce the cost of agency operations was the preeminent management challenge facing the Department. Recent Department budget constraints, along with the implementation of sequestration, have exacerbated our concerns.

- Audit Report on *Management of the Department's Desktop Computer Software Enterprise License Agreements* (DOE/IG-0718, January 2006). The Department had not adequately managed the acquisition and maintenance of desktop computer software licenses. Instances were noted where software was acquired through established agreements or contracts at prices as much as 300 percent higher than those available through Department-level agreements. Furthermore, despite the potential for significant savings, enterprise agreements for common products such as security and antivirus software had not been established. In addition, it was noted that various sites and organizations paid for annual maintenance fees for 14,000 encryption software licenses that were never used. These problems occurred because the Department had not established a complex-wide desktop software acquisition and maintenance strategy. Also, the Department had not developed complex-wide standards for desktop software, implemented a common method for acquiring software, and did not require organizations to actively manage their inventory of existing licenses.

Government Accountability Office

- Report on *FEDERAL SOFTWARE LICENSES: Better Management Needed to Achieve Significant Savings Government-Wide* (GAO-14-413, May 2014). The Office of Management and Budget and the vast majority of agencies reviewed did not have adequate policies for managing software licenses. The Government Accountability Office (GAO) found that of the 24 major Federal agencies, 2 had comprehensive policies; 18 had policies that were not comprehensive; and 4 had no policies. GAO found that the Department had established a policy requiring the Office of the Chief Information Officer to address centralized management through consolidation of software acquisition, volume purchasing arrangements and enterprise-wide agreements and to track and maintain its inventory of software licenses. However, the Department did not have a policy addressing analysis of license data to make informed investment decisions; education and training; establishing goals and objectives of the program; and managing licenses

throughout the entire lifecycle. In addition, the GAO found that Department licenses were primarily managed in a decentralized manner and that the Department did not analyze software license data to identify opportunities to reduce costs.

MANAGEMENT COMMENTS

Department of Energy
Washington, DC 20585

September 5, 2014

MEMORANDUM FOR RICKEY R. HASS
DEPUTY INSPECTOR GENERAL
FOR AUDITS AND INSPECTIONS
OFFICE OF INSPECTOR GENERAL

FROM: ROBERT F. BRESE
CHIEF INFORMATION OFFICER

SUBJECT: Draft Report, "The Department of Energy's Acquisition and Maintenance of Software Licenses" (A13TG005)

Thank you for the opportunity to comment on the subject draft report. The Department of Energy (Department or DOE) recognizes that the Office of Inspector General's (OIG) objective in this review was to determine whether the Department effectively managed the acquisition and maintenance of its software licenses.

The Department agrees with the OIG's assertion that enhancements to the software acquisition process could allow the Department to maximize and leverage its purchasing power as a large Federal entity. However, the report does not acknowledge the DOE Enterprise-wide Strategic Sourcing Program within the Office of Acquisition and Project Management. This program originated in 2005 to create a comprehensive DOE (Federal and Contractor) approach to acquisitions that are strategically driven to ensure maximum value for every dollar spent. The Strategic Programs Division does not coordinate procurement activities across the Department—that is a responsibility of each of the Programs' procurement offices—but facilitates a strategic approach through guidance and direction.

Furthermore, the DOE Information Technology (IT) Modernization Strategy, targeted for completion in Fiscal Year 2016, (http://energy.gov/sites/prod/files/IT%20Modernization%20Strategy_0.pdf) seeks to reduce the number of product and service procurement vehicles and to leverage the collective buying power of DOE as well as to simplify and reduce the cost and complexity of Federal acquisitions.

The management responses to the recommendations identified in the draft report are attached. More specific feedback and direct Program comments are included in the appendices.

Attachments
1. Management Response
2. Program-specific Comments
3. Technical Comments

Attachment 1

MANAGEMENT RESPONSE
IG Draft Report, "The Department of Energy's Acquisition and Maintenance of Software Licenses" (A13TG005)

Recommendation 1: *Develop and implement a process to ensure that software purchases are coordinated among Federal and contractor entities to the extent practical, including periodic reviews of software purchases across the Department to facilitate negotiation and use of enterprise agreements.*

Management Response: Concur, with comments.

The Department will continue to encourage consolidation of software package acquisition and the use of volume purchasing arrangements through enterprise-wide agreements (EWA), and the application of best practices in software implementation. The Office of the Chief Information Officer's (OCIO) EWA Program has proven effective in consolidating such acquisitions and providing cost savings. For example, the EWA to purchase Microsoft products saved an estimated $21 million over General Services Administration (GSA) pricing in the last five years and is relied upon to procure roughly 80% of Microsoft products in use across the DOE Complex.

It should be noted that the process to build effective and efficient IT programs is complicated by both the research and development (R&D) and manufacturing nature of DOE's and the National Nuclear Security Administration's (NNSA) programs. The Management and Operating (M&O) contractors compete with each other for out-sourced contracts and it is their unique qualities and abilities, which include software and hardware capabilities that will enable them to differentiate themselves. The Department/NNSA cannot dictate the software used at M&O sites, and, given OMB-mandated performance-based contracting, if we dictate IT solutions to the contractor, we effectively transfer the project risk from the contractor to the government.

Still, the EWA Program hosts periodic conference calls with key IT Representatives across the DOE complex. These individuals recommend common software for consideration by the Program. When a particular piece of software is identified as being in use at multiple locations, the OCIO collects and analyzes cost, benefit, usage, and trending data for that software. If it is determined to be cost effective to put an agreement in place, data continues to be collected as part of the contract vehicle.

In addition, the Office of Management's Strategic Programs Division reviews opportunities throughout the DOE complex to reduce costs and better inform investment decisions. They also hold and/or attend meetings held throughout the DOE complex to facilitate a centralized management approach towards purchasing. Building a collaborative approach, while slower to implement, will be more effective in enabling enterprise change.

As the Department has established the EWA Program, and has encouraged consolidation of software package acquisition and the use of volume purchasing arrangements throughout the organization—to the best extent practical—and, as this will always be a continuous process, the

Department considers this recommendation closed. Further details specific to Environmental Management (EM), Science, and NNSA are included in Attachment 2.

Recommendation 2: *Ensure that all software licenses are appropriately tracked using asset management systems, including registering and/or monitoring license acquisition and usage.*

Management Response: Concur, with comments.

Attachment 1, Page 2

The OCIO's Office of Energy IT Services (EITS) utilizes commercial software (BigFix) to track EITS-administered software licenses (Microsoft Visio, Microsoft Project, Adobe Acrobat) for the common operating environment and uses spreadsheets to manage the licenses. Tracking, management, and reporting is done annually at "true up" dates or at renewal times, as applicable.

While the Department does not have a complete, current inventory of software licenses, the OCIO's tools and data collection information cover close to 45% of the Federal space as it is defined in the Modernization Plan (~15,000 Federal and direct support contractors). The M&O Laboratories, Plants, and Facilities are considered separate for the purposes of the current Commodity IT data calls.

Since software licenses are already being tracked using asset management systems, we consider this recommendation closed. Further details specific to EM, Science, and NNSA are included in Attachment 2.

FEEDBACK

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We aim to make our reports as responsive as possible and ask you to consider sharing your thoughts with us.

Please send your comments, suggestions and feedback to OIGReports@hq.doe.gov and include your name, contact information and the report number. Comments may also be mailed to:

Office of Inspector General (IG-12)
Department of Energy
Washington, DC 20585

If you want to discuss this report or your comments with a member of the Office of Inspector General staff, please contact our office at (202) 253-2162.