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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**CONTRACT WITH  
DELL MARKETING, L.P.,  
FOR MICROSOFT LICENSING  
AND MAINTENANCE**

September 2011

A-06-10-10175

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**AUDIT REPORT**

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## Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

## Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

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- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

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We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



# SOCIAL SECURITY

## MEMORANDUM

Date: September 15, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Contract with Dell Marketing, L.P., for Microsoft Licensing and Maintenance (A-06-10-10175)

## OBJECTIVE

Our objectives were to review the services provided under Blanket Purchase Agreement (BPA) SS00-09-40002 and the related costs charged to the Social Security Administration (SSA) for adherence to the negotiated terms and applicable regulations and to ensure SSA received the goods and services for which it paid.

## BACKGROUND

Executive Order 13103, *Computer Software Piracy*,<sup>1</sup> requires that Federal agencies establish procedures to ensure compliance with established computer software licensing laws and regulations. SSA's Office of Telecommunications and Systems Operations (OTSO) develops guidelines and processes to ensure SSA complies with the Executive Order. Components that purchase or consider purchasing desktop and laptop computers contact OTSO to acquire licensing rights for the Agency's standard commercial-off-the-shelf software suite.

When SSA buys new computers to replace existing equipment, no license purchases are necessary, as SSA simply transfers the licenses to the new equipment. However, if SSA loads licensed software on new computers that are not replacements for existing equipment, it must purchase the software licenses. Components report these transactions to OTSO, which, in turn, forwards the information to the Contracting Officer's Technical Representative. At the end of the year, SSA submits one comprehensive payment for the software installed throughout the year.

In September 2003, SSA awarded a 5-year delivery order to Softmart Government Services, Inc., to purchase software licenses and maintenance for Microsoft products. Under the delivery order, SSA increased the number of Windows Operating System licenses from 107,946 to 131,103. It also increased both Microsoft's Office Professional

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<sup>1</sup> 63 Fed. Reg. 53,273 (Sept. 30, 1998).

and Client Access licenses from 107,946 to 119,153. The total value of Microsoft licenses and maintenance purchased under this delivery order was \$105 million.

On December 22, 2008, SSA awarded a 5-year BPA,<sup>2</sup> estimated at \$131 million to ASAP Software Express, Inc. (ASAP), to purchase licenses for Microsoft products and provide technical and maintenance support for the existing suite of Microsoft products. Subsequently, Dell Marketing, L.P. (DMLP), acquired ASAP, and on February 9, 2009, SSA transferred the BPA to DMLP. The BPA is now in Year 3 (October 23, 2010 through October 22, 2011). See Appendix B for detailed information regarding the scope and methodology for our audit.

## **RESULTS OF REVIEW**

Amounts paid for services provided under the BPA were in accordance with negotiated prices, and SSA received the goods and services for which it paid. Invoices for Microsoft products and services were allowable, accurate, properly approved, and paid timely.

However, SSA did not provide documentation to support recent, significant increases in purchases of Client Access licenses and related support. Since 2008, SSA has spent approximately \$3.2 million to purchase about 7,300 more Client Access licenses than necessary to support SSA software users (see Appendix C for calculations).

Since 2004, SSA has also purchased approximately 32,800 more Windows Operating System and 17,500 more Office Professional licenses than needed to accommodate the overall growth in the number of SSA and disability determination services (DDS) employees who used the software. SSA stated the growth in Operating System and Office Professional license purchases resulted from the addition of a large number of computers in front-end interviewing areas, training centers, etc. However, SSA could not provide documentation to substantiate this assertion or fully account for the growth in the purchases of these licenses since 2004.

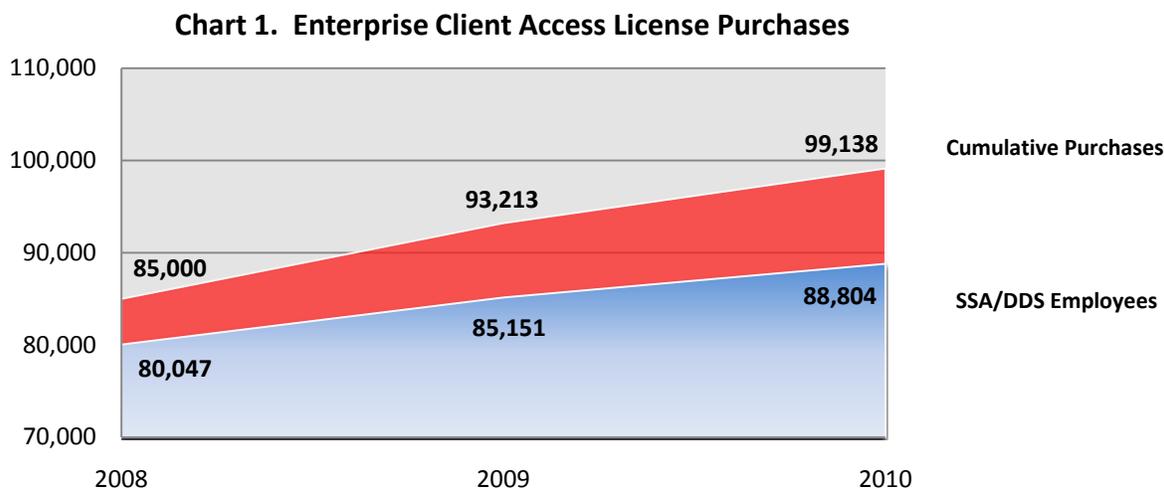
## **CLIENT ACCESS LICENSES**

Microsoft Client Access license software enables users to connect devices to servers operated by Microsoft software. Under the DMLP contract, SSA purchased Client Access licenses and maintenance (also referred to as software assurance) based on the number of software users with SSA server access.

Comparison of license/assurance purchases with the actual number of SSA and DDS employees revealed that since December 2008, SSA has procured 10,334 more Enterprise Client Access licenses than necessary to support the combined number of SSA and DDS employees who used the software (see red section on Chart 1).

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<sup>2</sup> A BPA is a simplified method for filling anticipated repetitive needs for supplies or services by establishing the equivalent of “charge accounts” with qualified supply sources.



Agency staff did not explain why at the end of Fiscal Year 2008, SSA owned and contracted to maintain 85,000 licenses, when Human Resources statistics indicated combined SSA and DDS personnel totaled 80,047.<sup>3</sup> Further, SSA did not explain why it increased purchases of these licenses to 99,138 at the end of Fiscal Year 2010, when SSA Human Resources statistics indicated the combined number of SSA and DDS personnel totaled 88,804.

Our review of contract files suggested that, contrary to the terms of the licensing agreement, SSA purchased Client Access licenses based on the number of *computers* instead of the number of *software users*.

**SSA Provided Additional Information**

On June 9, 2011, the OTSO Division of Resource Management and Acquisition provided additional information regarding SSA purchases of Client Access licenses. In addition to SSA and DDS users, OTSO identified another 3,708 contractors, Foreign Service Post employees, and security personnel for whom SSA purchased software licenses; leaving 7,256 unaccounted Client Access licenses users.

As a result, we estimate SSA spent approximately \$3.2 million more for Client Access licenses and software assurance than was necessary to support combined SSA software users (see calculations in Appendix C).<sup>4</sup>

To address these excess licenses, OTSO stated it will not purchase any additional Client Access licenses in 2011, and will hold the extra 7,256 licenses in reserve until SSA's user community surpasses the current total or the contract is recompeted. When the contract is recompeted, SSA will adjust the number of licenses to reflect its actual requirement.

<sup>3</sup> Staffing figures as of September 30, 2008.

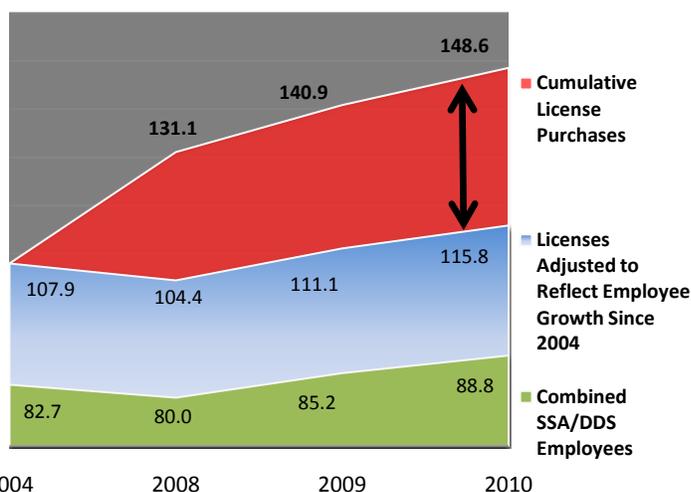
<sup>4</sup> The contract does not incorporate any provisions that allow SSA to reduce the number of software licenses purchased and maintained.

## WINDOWS OPERATING SYSTEM AND OFFICE PROFESSIONAL

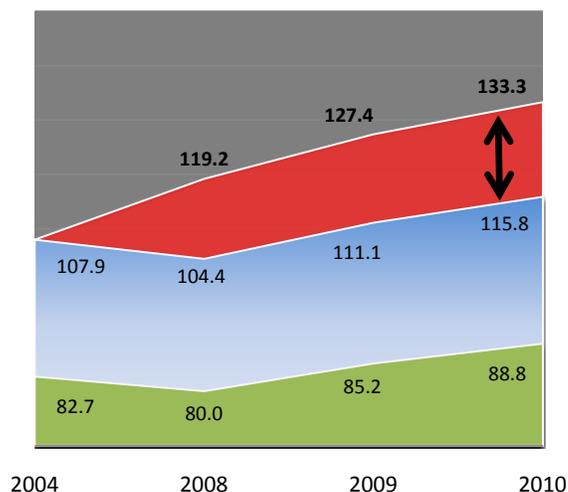
SSA uses Windows Vista operating system software and installs Office Professional<sup>5</sup> on Agency computers. According to the Contracting Officer's Technical Representative, SSA procures operating system licenses based on the number of computers loaded with the software and Office Professional licenses based on the number of desktop computers loaded with the software.

We compared license/maintenance purchases with the actual number of SSA and DDS employees on hand since the end of Fiscal Year 2004. The comparison indicated that SSA had procured approximately 32,800 more Windows Operating Systems (see red section on Chart 2) and 17,400 more Office Professional (see red section on Chart 3) licenses and maintenance than needed to accommodate actual net employee growth.

**Chart 2. Operating Systems Purchases**  
(Thousands)



**Chart 3. Office Professional Purchases**  
(Thousands)



During a 6-year period when combined SSA and DDS staffing increased by approximately 6,100 employees, SSA purchased approximately 40,700 additional Windows Operating System and 25,400 Office Professional licenses. Much of the increase occurred from 2004 through 2008. During that 4-year period, combined SSA and DDS staff declined by about 2,700 employees;<sup>6</sup> however, SSA purchased approximately 23,200 additional Windows Operating System and 11,200 Office Professional licenses.

<sup>5</sup> Office Professional includes various software applications, such as Word, Excel, Access, PowerPoint, and Outlook.

<sup>6</sup> Per data provided by SSA Human Resources, combined SSA/DDS employees declined from 82,746 at the end of Fiscal Year 2004 to 80,047 at the end of Fiscal Year 2008.

Our September 2010 report, *Delivery Order with Softmart Government Services, Inc., for Microsoft Licensing and Maintenance* (A-06-10-11019), stated SSA did not maintain documentation to indicate how it computed its requirements for Windows Operating System and Office Professional licenses and related maintenance support. SSA officials acknowledged this and stated SSA based its requirements on the number of licenses maintained under the prior contract. SSA officials stated they believed that SSA documented these requirements in prior contract files. However, we could not confirm this because SSA purged the prior contract files after the required retention period expired. Similarly, we found SSA did not maintain documentation to indicate how it computed Client Access, Operating System, and Office Professional licenses and related maintenance support incorporated into the Dell contract.

**Request for  
Additional  
Supporting  
Documentation**

On December 7, 2010, we forwarded a summary of our audit findings to the Office of the Chief Information Officer (CIO), who is responsible for managing SSA's information technology investment process and assessing the performance of SSA's major technology investments. We requested that the CIO provide support for recent significant increases in Microsoft license and maintenance purchases.

On April 11, 2011, the CIO provided documentation that summarized SSA Operations computer workstation requirements. In explaining the recent surge in purchases of Operating System and Office Professional licenses, the CIO stated that because of use of front-end interview stations, reception areas, training and other special purposes, Operations fields about 22,000 more computers than its number of assigned staff. The CIO's office did not perform similar allocation for other Agency components but stated other components have special needs for labs and the Office of Systems has many machines in use for monitoring and test purposes.

On June 9, 2011, the OTSO Division of Resource Management and Acquisition provided additional information regarding SSA purchases of Operating System and Office Professional licenses. OTSO compared the number of licenses purchased to the number of desktops and laptops reflected on SSA's Hewlett Packard Asset Manager System. OTSO determined the number of Operating System licenses closely corresponded to, and the number of Office Professional licenses did not vary significantly from, the number of desktops and laptops appearing in the inventory system. OTSO stated it will continue to request funding to implement an automated software asset management process that will enable the Agency to more efficiently manage software licensing.

Business processes implemented since 2004 may have required that SSA install more computers than the number of newly hired employees, and SSA's license purchases may have correlated with the number of desktops and laptops that appeared in SSA's inventory system. However, this does not fully explain or justify the purchase of more than six Operating System and four Office Professional licenses for each net employee added since 2004. The recent growth in license purchases could also indicate that

(1) SSA increased software license purchases when hiring new employees but did not decrease the number of licenses when employees left SSA or (2) SSA paid license and maintenance fees for inactive desktop or laptop computers.

## **CONCLUSION AND RECOMMENDATIONS**

SSA complied with the terms of the contract and received the contracted goods and services for which it paid. However, SSA did not provide documentation to support large increases in Client Access, Windows Operating System, and Office Professional license and maintenance purchases. Since 2008, SSA spent about \$3.2 million to purchase approximately 7,300 more Client Access licenses than necessary to support SSA software users. SSA also appeared to purchase thousands more Operating System and Office Professional licenses than needed to support SSA software users.

Accordingly, we recommend that SSA:

1. Ensure future Client Access license purchases are based on the actual number of SSA users.
2. Document the process used to determine the number of licenses purchased, and maintain and update that documentation as needed for future contracts.

## **AGENCY COMMENTS**

SSA agreed with our recommendations. SSA's comments are included in Appendix D.



Patrick P. O'Carroll, Jr.

# *Appendices*

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Computation of Questioned Costs

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

## Acronyms

ASAP	ASAP Software Express, Inc.
BPA	Blanket Purchase Agreement
CIO	Chief Information Officer
DDS	Disability Determination Services
DMLP	Dell Marketing, L.P.
Fed. Reg.	Federal Register
OTSO	Office of Telecommunications and Systems Operations
SSA	Social Security Administration

# Scope and Methodology

To accomplish our objectives, we:

- Reviewed Executive Order 13103, *Computer Software Piracy*.<sup>1</sup>
- Reviewed the Office of the Inspector General report, *Delivery Order with Softmart Government Services, Inc., for Microsoft Licensing and Maintenance* (A-06-10-11019), September 2010.
- Reviewed the Blanket Purchase Agreement (BPA) SS00-09-40002 for Microsoft Products, Maintenance, and Technical Support Services signed December 22, 2008.
- Reviewed the Systems Procurement Request for Maintenance and Support Services for Microsoft Proprietary Software.
- Reviewed documentation of support services provided under the BPA.
- Interviewed the Contracting Officer's Technical Representative in the Division of Resource Management and Acquisition and staff in the Offices of Finance and the Chief Information Officer.
- Obtained a list from the Office of Finance identifying 22 invoices, totaling \$62,043,809, paid under this BPA as of June 24, 2010. We reviewed these invoices to ensure the Social Security Administration (SSA) (1) paid amounts approved in the BPA, (2) properly approved invoices before payment, (3) paid invoices timely in accordance with the terms of the BPA, and (4) correctly recorded invoice amounts.
- Obtained SSA and disability determination services staffing data for Fiscal Years 2004 through 2010.

We performed our audit at SSA Headquarters in Baltimore, Maryland, and Dallas, Texas, from June 2010 through April 2011. We found the data used for this audit were sufficiently reliable to meet our objectives. The entity audited was the Division of Resource Management and Acquisition under the Office of the Deputy Commissioner for Systems. We conducted this 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

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<sup>1</sup> 63 Fed. Reg. 53,273 (Sept. 30, 1998).

## Computation of Questioned Costs

The Social Security Administration (SSA) is required to obtain one Microsoft Enterprise Client Access license for each SSA or disability determination services (DDS) employee with access to the Agency’s servers. Comparison of the actual number of SSA and DDS employees with the number of Client Access licenses purchased indicated that SSA had purchased more licenses than necessary to support employees with server access.

When this contract began in December 2008, SSA paid annual software assurance fees<sup>1</sup> for 85,000 Client Access licenses. However, SSA Human Resources data indicate that combined SSA and DDS employees totaled 80,047 as of September 30, 2008. Based on this information, SSA paid \$78,554 more than necessary during the contract base year to maintain Client Access license software for personnel with access to SSA computer servers (see Table C-1).

<b>Table C-1 Client Access License Assurance Costs in Base Contract Year</b>	
	<b>Base Year (December 2008)</b>
Software Assurance Purchased	85,000
Combined SSA/DDS Employees as of September 30, 2008	80,047
Number of Licenses Above the Number of Employees	4,953
Software Assurance Fee per Client Access License	\$15.86
Total Unsupported Cost in Contract Base Year	\$78,554

During the first year of the contract, SSA purchased an additional 8,213 Client Access licenses, bringing SSA’s total number of licenses to 93,213. However, SSA Human Resources data indicated that combined SSA and DDS employees totaled 85,151 at the end of September 2009. Because SSA already owned 85,000 licenses, it only needed to purchase 151 additional licenses to accommodate personnel increases. As shown in Table C-2, SSA paid \$3,597,829 for 8,062 unsupported Client Access licenses at the end of the first contract year.

<sup>1</sup> SSA had already purchased the 85,000 licenses under the prior software contract. During the initial contract year, SSA paid the contractor a per license software maintenance fee, referred to as software assurance.

<b>Table C-2 Client Access License Purchases in Year 1</b>	
	<b>Year 1 (Ended October 2009)</b>
Cumulative Client Access Licenses/Assurance Purchased	93,213
Combined SSA/DDS Employees as of September 30, 2009	85,151
Number of Licenses Purchased	8,062
Contact Cost Per Additional License Purchased	\$446.27
Total Unsupported Cost in Year 1	\$3,597,829

During the second year of the contract, SSA purchased another 5,925 Client Access licenses, bringing SSA's total licenses to 99,138. However, SSA Human Resources data indicated that combined SSA and DDS employees totaled 88,804 at the end of September 2010. In total, SSA purchased 10,334 more licenses than necessary. We account for 8,062 unsupported licenses in Table C-2. Table C-3 shows the cost of the 2,272 remaining unsupported licenses was \$868,654 in year 2 of the contract.

<b>Table C-3 Client Access License Purchases in Year 2</b>	
	<b>Year 2 (Ended October 2010)</b>
Cumulative Client Access Licenses/Assurance Purchased	99,138
Combined SSA/DDS Employees as of September 30, 2010	88,804
Number of Licenses Purchased Above Number Needed	10,334
Unsupported Purchases Included in Table C-2	8,062
Unsupported Licenses Purchased in Contract Year 2	2,272
Contact Cost Per License	\$382.33
Total Unsupported Cost in Year 2	\$868,654

Table C-4 provides our initial estimate of total questioned costs for Client Access license purchases. Table C-5 provides a revised estimate of total questioned costs based on additional information SSA provided on June 9, 2011.

<b>Table C-4 Total Unsupported Client Access License Expenditures</b>	
	<b>Amount</b>
Base Year – Unsupported Assurance Costs	\$78,554
Year 1 – Unsupported License Purchases	\$3,597,829
Year 2 – Unsupported License Purchases	\$868,654
Total Questioned Costs	\$4,545,037

<b>Table C-5 Total Unsupported Client Access License Expenditures Adjusted Based on Additional Information SSA Provided on June 9, 2011</b>	
	<b>Amount</b>
Total Excess Licenses per Audit	10,334
Excess Licenses Agreed to by SSA	7,256
Percent (7,256 / 10,344)	70.2%
Applied to Total Questioned Costs (70.2% * \$4,545,037)	\$3,190,616

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

Date: August 24, 2011 Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.  
Inspector General

From: Dean S. Landis /s/  
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Contract With Dell Marketing, L.P., for Microsoft Licensing and Maintenance" (A-06-10-10175)--INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Frances Cord at (410) 966-5787.

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL, “CONTRACT WITH DELL MARKETING, L.P., FOR MICROSOFT LICENSING AND MAINTENANCE” (A-06-10-10175)**

**Recommendation 1**

Ensure future client access license purchases are based on the actual number of SSA users.

**Response**

We agree. We have implemented this recommendation.

**Recommendation 2**

Document the process used to determine the number of licenses purchased, and maintain and update that documentation as needed for future contracts.

**Response**

We agree. We have implemented this recommendation.

## OIG Contacts and Staff Acknowledgments

### ***OIG Contacts***

Ron Gunia, Director, Dallas Audit Division

Neha Smith, Audit Manager

### ***Acknowledgments***

In addition to those named above:

Lela Mitchell, Senior Auditor

For additional copies of this report, please visit our Website at [www.ssa.gov/oig](http://www.ssa.gov/oig) or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-06-10-10175.

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Chairman and Ranking Minority Member, Senate Special Committee on Aging

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### **Office of Audit**

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

### **Office of Investigations**

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

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OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

### **Office of External Relations**

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