

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF  
SOFTWARE LICENSING**



**CHARLES C. MADDOX, ESQ.  
Inspector General**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



August 5, 2003

John A. Koskinen  
City Administrator  
Office of the City Administrator  
1350 Pennsylvania Ave., N.W., Room 310  
Washington, D.C. 20004

Suzanne J. Peck  
Chief Technology Officer  
Office of the Chief Technology Officer  
441 Fourth Street, N.W., Suite 930S  
Washington, D.C. 20001

Dear Mr. Koskinen and Ms. Peck:

Enclosed is the Office of the Inspector General's (OIG) report OIG No. 02-1-5TO(a) summarizing our review of software licensing in the District. This issue was first reported in Management Alert Report (MAR-03-A-04).

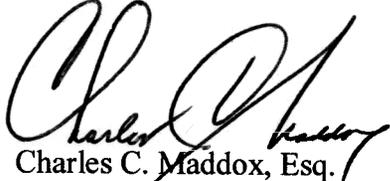
We directed 2 recommendations to the Office of the Chief Technology Officer (OCTO) and 2 recommendations to the Office of the City Administrator (OCA) to correct deficiencies noted in the report. We made 2 recommendations to assist the District in identifying and eliminating unlicensed software and 2 recommendations to assist the District in developing policies and procedures over software utilization, acquisition, and control.

We received a response from OCTO on June 20, 2003, to MAR-03-A-04. OCTO's comments have been incorporated into this final report. OCTO commented on the 2 recommendations directed to them and the 2 recommendations directed to the OCA. OCA did not provide a written response to recommendations 3 and 4; however, the OCA informed us that OCTO's responses were sufficient and meet the intent of the recommendations directed to their office. We consider actions taken or planned by OCTO to be fully responsive to the 4 recommendations.

Mr. Koskinen, CA and Ms. Peck, CTO  
OIG No. 02-1-05TO(a) – Final Report  
August 5, 2003  
Page 2 of 3

We appreciate the cooperation and courtesies extended to our staff during the audit. If you have questions, please contact me or William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Charles C. Maddox, Esq.  
Inspector General

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**AUDIT OF  
SOFTWARE LICENSING**

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## **EXECUTIVE DIGEST**

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### **OVERVIEW AND CONCLUSION**

This report details our review of the District's installation of unlicensed software and the potential monetary impact that could result from civil penalties. Our initial effort was to audit the District of Columbia Office of the Chief Technology Officer's (OCTO) Data Center 2 (ODC2). However, during the audit, we identified the issue of unlicensed software and accordingly, we refocused our audit on this high-risk area. This issue was first reported in Management Alert Report (MAR-03-A-04).

Our report includes one finding concerning District agencies using approximately 51,696 copies of software in violation of software licensing agreements. The inappropriate use of unlicensed software creates a potential \$8.6 million financial liability for the District and the possibility of civil damages.

### **SUMMARY OF RECOMMENDATIONS**

We directed 2 recommendations to the Office of the Chief Technology Officer (OCTO) and 2 recommendations to the Office of the City Administrator (OCA) to correct deficiencies noted in the report. We made 2 recommendations to assist the District in identifying and eliminating unlicensed software and 2 recommendations to assist the District in developing policies and procedures over software utilization, acquisition, and control. A summary of potential benefits resulting from this audit is included at Exhibit A.

### **MANAGEMENT RESPONSES AND OIG COMMENTS**

We received a response from OCTO on June 20, 2003, to MAR-03-A-04. OCTO's comments have been incorporated into this final report. OCTO commented on the 2 recommendations directed to them and the 2 recommendations directed to the OCA. OCA did not provide a written response to recommendations 3 and 4, however, the OCA informed us that OCTO's responses are sufficient and meet the intent of the recommendations directed to their office. We consider actions taken or planned by OCTO to be fully responsive to the 4 recommendations. The complete text of the OCTO's response is included at Exhibit C.

## INTRODUCTION

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### BACKGROUND

The OCTO administers the e-mail services for 62 District agencies. These 62 agencies have approximately 250 local area network (LAN) servers, of which 32 are housed at ODC2. The remaining 218 LAN servers are located throughout the District. The servers belong to the various agencies; therefore, LAN maintenance and administration devolve to agency officials.

OCTO has no authority over the software or data that resides on the agencies' servers. The *Professional Guide to Information Technology Architecture Standards (Guide)* provides the hardware and software standards that govern agency servers. The Guide is a summary of hardware and software standards developed by the District of Columbia Government Information Technology Standards Committee (DISC) with input provided by OCTO. However, the *Guide* does not contain a policy prohibiting the installation and use of unlicensed software.

District agencies, similar to other software purchasers, are permitted to use licensed software consistent with the authority granted in the software license. A software license is a legally binding agreement between the software vendor and user, which defines permissible software usage and includes restrictions intended to prevent copyright infringement caused by illegal or unauthorized copying. As such, the software vendor is entitled to determine how and under what terms the software may be reproduced, distributed, and installed. Generally, the precise rights granted to users are described in the license agreement or other accompanying documentation. If a user copies, distributes, or installs software contrary to the license, the user is in violation of the agreement and federal copyright law codified in Title 17 of the United States Code.

### OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine if the ODC2 developed and implemented:

1. a System Development Life Cycle (SDLC) methodology that would allow for an orderly and standardized process for acquiring, developing, and implementing computer systems;
2. a disaster recovery/contingency plan that would allow orderly resumption of processing in the event of a disaster or emergency situation;
3. adequate change control guidelines and procedures to prevent unauthorized change, destruction or misuse, and to insure that all changes to data are properly tracked and controlled;

## INTRODUCTION

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4. adequate physical and access security controls over applications to prevent unauthorized use or access and maintain data integrity.

This report was limited to address objective 1 and subsequent audits of ODC2 may be conducted to cover objectives 2, 3, and 4.

To accomplish our objective, we conducted an inventory of Microsoft Software contained on eight randomly selected agency's servers; obtained Microsoft Software applications cost and price documentation; and reviewed policies/procedures and other relevant documentation pertaining to the District's acquisition and use of software. We conducted interviews with OCTO, selected agency management, and contractors with responsibility over software acquisition and maintenance.

Our audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary under the circumstances.

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## FINDINGS AND RECOMMENDATIONS

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### FINDING 1: UNAUTHORIZED SOFTWARE

#### SYNOPSIS

We obtained documentation from OCTO that indicates that District agencies are using approximately 51,696 copies of software in violation of software licensing agreements. We conducted an independent verification of OCTO's information and derived similar results. We believe that the apparent widespread use of unlicensed software may be, in part, the result of agencies purchasing multiple copies of original software and installing a single copy of software onto more than one computer and because the District has not developed guidelines for monitoring the installation and use of software. As a result of the numerous software licensing violations, the District could incur \$8.6 million in financial liability if these violations are not corrected.

#### DISCUSSION

##### OCTO's Report of Software Inventory

OCTO used Microsoft's inventory software analyzer tool to generate reports of licensing information for Microsoft software that was installed on agency personal computers (PCs) connected to servers located throughout the District. Microsoft's inventory software analyzer tool selects and summarizes software by looking for the product executable file, serial number, and the registry keys corresponding to the product's installation. Deficiencies or unauthorized copies are summarized and reported. The report contains: (1) the number of product installations detected by the analyzer software that correspond to the total number of active machines successfully scanned, and (2) the deficiency excess, which represents the number of product installations, less the total number of licenses purchased.

Our review of the reports revealed that the number of authorized software licenses is not commensurate with the number of software copies currently in use by 26 District agencies. Specifically, the reports indicate that there were 70,923 copies of software in use by agencies, but only 19,227 copies were authorized. A comparison shows that the number of unauthorized copies of software exceeded the number of authorized copies by 51,696 copies. The high user-to-license ratio (2.7:1) could result in additional costs to the District if the software needs to be purchased. Further, there may be additional costs incurred for each violation, should civil or criminal charges be pursued. The table shown below summarizes OCTO's analysis and reveals the District's potential financial liability attributable to unauthorized software.

## FINDINGS AND RECOMMENDATIONS

	Software In-Use	Software Licenses	Difference	Cost Per Item <sup>1</sup>	Extended Costs
Exchange Server	60	32	28	\$ 459.29	\$ 12,860.12
Windows Server	250	209	41	\$ 485.18	\$ 19,892.38
Windows XP/2K/NT Pro	8,000	379	7,621	\$ 170.05	\$ 1,295,951.05
Windows Me/9x	7,000	496	6,504	\$ 170.05	\$ 1,106,005.20
Office	15,000	3,140	11,860	\$ 447.00	\$ 5,301,420.00
Windows CAL	20,000	7,179	12,821	\$ 19.64	\$ 251,804.44
Exchange CAL	20,000	7,179	12,821	\$ 44.17	\$ 566,303.57
Visio	156	156	0	\$ 237.50	\$ -0-
Project	457	457	0	\$ 474.99	\$ -0-
Total	70,923	19,227	51,696		\$ 8,554,236.76

We were unable to readily verify the accuracy of OCTO's data. However, in order to determine the reliability of OCTO's results, we conducted a test by running the same inventory software analyzer tool on 8 randomly selected agencies from the 62 agencies serviced by OCTO. Our test results are discussed below.

### Results of OIG Reliability Analysis

Our analysis of these 8 agencies revealed a similar ratio (2.1:1) of unlicensed to licensed software. Specifically, we found that of 7,920 copies of software in use by these agencies, only 3,715 were licensed. A comparison shows that the number of unlicensed software copies exceeded the licensed copies by 4,205. These unlicensed software copies amount to a potential cost of \$1,197,358.98.<sup>2</sup> Having confirmed the reliability of OCTO's reports, it appears that unlicensed computer software constitutes a serious problem within District agencies that should not be ignored. Although the District will incur costs to rectify this problem, its failure to do so could result in additional costs if the software vendors seek monetary relief through the legal process. The results of our analysis are included at Exhibit B to this report.

### Multiple Installation of Original Software

We believe that the apparent widespread use of unlicensed software may be, in part, the result of agencies purchasing multiple copies of original software and installing a single copy of software

<sup>1</sup> Pricing shown reflects vendor pricing at the highest level.

<sup>2</sup> This figure represents the total cost (based on the latest GSA schedule of cost data) needed to bring the successfully scanned machines into compliance (see enclosure).

## FINDINGS AND RECOMMENDATIONS

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onto more than one computer. Additionally, the use of unlicensed software has proliferated because the District has not developed guidelines for monitoring the installation and use of software.

In order to address this issue, OCTO security has developed (currently in draft form) software acquisition standards that cover pirated and other illegal uses of software.<sup>1</sup> In the interim, District agency officials and their employees must be informed that unauthorized use and installation of unlicensed software is prohibited.

Specifically, OCTO and District agencies should establish an awareness program to inform District employees of the liabilities and penalties that can result from such practices. Illegal software copying and installation constitute copyright infringement, for which the copier or installer risk the imposition of civil and criminal penalties. In addition to those legal consequences, the District's computer resources become vulnerable to software viruses, problems created by corrupt disks, warranty concerns, and loss of free technical support and software upgrades.

Control Objectives for Information and Related Technology (COBIT) Delivery and Support, Process 9.0, Manage the Configuration, Control Objectives 9.5 and 9.8 state that “[c]lear policies restricting the use of personal and unlicensed software should be developed and enforced, . . . and IT management should periodically check the organization’s [PCs] for unauthorized software.” *Id.* Further, [s]oftware should be labeled, inventoried, and properly licensed, and “[c]ompliance with the requirements of software and hardware license agreements should be reviewed on a periodic basis.” *Id.*

To help prevent the use of unlicensed software, the federal government issued Executive Order 13103 on September 30, 1998, entitled *Computer Software Piracy*. Section 1 of this Executive Order requires “[e]ach agency [to] establish procedures to ensure that the agency has present on its computers and uses only computer software not in violation of applicable copyright laws.” Exec. Order No. 13, 103, 53 Fed. Reg. 53, 273 (Sept. 30, 1998).

In view of the foregoing discussion and policy provisions, we have compiled a list of recommendations designed to correct the problems identified in this report.

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<sup>1</sup> Pirated software is a term frequently used to describe software that is installed without the user paying for the license to use the software.

## FINDINGS AND RECOMMENDATIONS

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### RECOMMENDATIONS

We recommend that the City Administrator:

1. Require District agencies to conduct a software inventory and determine if all installed software on their LAN and/or workstations have the requisite license agreements, purchase invoices, or other documentation evidencing licensed software use and report the results of the inventory to the Office of the Chief Technology Officer.
2. Require District agencies to coordinate the destruction of all copies of software for which the agency lacks the appropriate license(s) with the simultaneous purchase of license(s) necessary to maintain the software on the agency's computers.

We recommend that the Chief Technology Officer:

3. Promptly implement software acquisition policies that cover pirated and other illegal uses of software, emphasize the need for agencies to maintain up-to-date hardware and software inventories, and periodically compare inventories to purchase documents.
4. Implement specific guidelines to ensure agency compliance with software licensing agreements by:
  - a. developing policies and procedures regarding the use of software;
  - b. developing a Code of Ethics to emphasize the importance of complying with federal copyright law;
  - c. educating employees regarding various types of licensing agreements, the need to comply with the agreements, and the consequences of noncompliance; and
  - d. appropriately delegating responsibility to ensure that relevant policies and procedures are implemented as intended.

### **OCTO Response (Recommendations 1-4)**

OCTO concurred with the recommendations and has planned or taken action to address each issue identified. The full text of OCTO's response is at Exhibit C.

### **OIG Comment (Recommendations 1-4)**

We considered OCTO's actions to be responsive and meet the intent of our recommendations.

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## EXHIBIT A

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<b>SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT</b>
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<b>Recommendation</b>	<b>Description of Benefit</b>	<b>Amount and/or Type of Monetary Benefit</b>
1	Internal Control. Accountability and control over software assets.	Cost avoidance relative to civil penalties of about \$ 8.6 million. <sup>1</sup>
2	Compliance and Internal Control. Cease the use of unauthorized software.	Nonmonetary.
3	Compliance and Internal Control. Implement policies to ensure appropriate acquisition and use of software.	Nonmonetary
4	Compliance and Internal Control. Will help to ensure workforce is knowledgeable of software licensing agreements.	Nonmonetary

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<sup>1</sup> This amount may be offset by the enterprise agreement being finalized by OCTO.

**EXHIBIT B**

**OIG ANALYSIS OF AGENCY SOFTWARE**

<b>SOFTWARE</b>	<b>DEFICIENCIES</b>	<b>UNIT COST</b>	<b>TOTAL</b>
FrontPage	1	\$333.08	\$333.08
Microsoft	3	\$181.25	\$543.75
Microsoft (Outlook)	6	\$99.36	\$596.16
Microsoft (PowerPoint)	4	\$168.16	\$672.64
Microsoft Excel 97	1	\$139.33	\$139.33
Microsoft Exchange Server	19	\$459.29	\$8,726.51
Microsoft FrontPage 2000	1	\$169.99	\$169.99
Microsoft FrontPage 2002	2	\$169.99	\$339.98
Microsoft FrontPage 98	1	\$169.99	\$169.99
Microsoft Office 2000 Premium (Outlook)	5	\$343.00	\$1,715.00
Microsoft Office 2000 Premium (PowerPoint)	9	\$343.00	\$3,087.00
Microsoft Office 2000 Professional	90	\$343.00	\$30,870.00
Microsoft Office 2000 Professional (Outlook)	248	\$343.00	\$85,064.00
Microsoft Office 2000 Professional (PowerPoint)	109	\$343.00	\$37,387.00
Microsoft Office 2000 Professional (Word)	69	\$343.00	\$23,667.00
Microsoft Office 2000 SR-1 Prem	1	\$389.00	\$389.00
Microsoft Office 2000 SR-1 Premium	1	\$389.00	\$389.00
Microsoft Office 2000 SR-1 Premium (Excel)	98	\$389.00	\$38,122.00
Microsoft Office 2000 SR-1 Premium (Outlook)	461	\$389.00	\$179,329.00
Microsoft Office 2000 SR-1 Premium (PowerPoint)	45	\$389.00	\$17,505.00
Microsoft Office 2000 SR-1 Prof (PowerPoint)	19	\$343.00	\$6,517.00
Microsoft Office 2000 SR-1 Prof. (PowerPoint)	172	\$343.00	\$58,996.00
Microsoft Office 2000 SR-1 Prof. (PowerPoint)	4	\$343.00	\$1,372.00
Microsoft Office 2000 SR-1 Professional (PowerPoint)	14	\$343.00	\$4,802.00
Microsoft Office 2000 SR-1 Sm. Bus (Excel)	9	\$234.50	\$2,110.50
Microsoft Office 2000 SR-1 Small Business (Word)	3	\$234.50	\$703.50
Microsoft Office 2000 Small Business (Excel)	8	\$234.50	\$1,876.00
Microsoft Office 2000 Standard	5	\$383.28	\$1,916.40
Microsoft Office 2000 Standard (Excel)	1	\$383.28	\$383.28
Microsoft Office 4.3 Professional (PowerPoint)	1	\$280.37	\$280.37
Microsoft Office 97 Prof. Ed. (PowerPoint)	12	\$189.63	\$2,275.56
Microsoft Office 97, Prof. Ed.	80	\$189.63	\$15,170.40
Microsoft Office 97, Prof. Ed. (Excel)	98	\$189.63	\$18,583.74
Microsoft Office 97, Prof. Ed. (PowerPoint)	4	\$189.63	\$758.52
Microsoft Office 97, Prof. Ed. (Word)	1	\$189.63	\$189.63
Microsoft Office XP Prof. (Outlook)	95	\$389.00	\$36,955.00
Microsoft Office XP Prof. W/ F.page (PowerPoint)	1	\$389.00	\$389.00
Microsoft Office XP Prof.w/ F.Page1 (Excel)	1	\$389.00	\$389.00

**EXHIBIT B**

**OIG ANALYSIS OF AGENCY SOFTWARE**

<b>SOFTWARE</b>	<b>DEFICIENCIES</b>	<b>UNIT COST</b>	<b>TOTAL</b>
Microsoft Office XP Professional (Outlook)	19	\$389.00	\$7,391.00
Microsoft Office XP Sm. Bus. (Excel)	1	\$343.00	\$343.00
Microsoft Office XP Small Business (Excel)	9	\$343.00	\$3,087.00
Microsoft Office XP Small Business (Word)	5	\$343.00	\$1,715.00
Microsoft Powerpoint 2002	4	\$114.34	\$457.36
Microsoft Project	4	\$217.87	\$871.48
Microsoft Project 2000	100	\$474.99	\$47,499.00
Microsoft Project 2000 SR-1	31	\$527.99	\$16,367.69
Microsoft Project 98	41	\$231.57	\$9,494.37
Microsoft Publisher 2000	328	\$46.29	\$15,183.12
Microsoft Publisher 2002	26	\$129.99	\$3,379.74
Microsoft Publisher 98	4	\$9.29	\$37.16
Microsoft Publisher 98	1	\$9.29	\$9.29
Microsoft SQL Server 2000	42	\$1,410.00	\$59,220.00
Microsoft SQL Server 6.5	4	\$1,043.98	\$4,175.92
Microsoft SQL Server 7.0	13	\$1,347.27	\$17,514.51
Microsoft Visio 2002	23	\$523.51	\$12,040.73
Microsoft Visio Prof 2002 Eng	12	\$523.51	\$6,282.12
Microsoft Visio Prof. 2002 Eng.	2	\$523.51	\$1,047.02
Microsoft Visio Prof. 2002 SR-1 Eng3	3	\$523.51	\$1,570.53
Microsoft Visual Basic 6.0	3	\$343.69	\$1,031.07
Microsoft Visual FoxPro 6.0	4	\$188.77	\$755.08
Microsoft Visual Studio	6	\$529.90	\$3,179.40
Microsoft Windows	1	\$136.00	\$136.00
Microsoft Windows 2000 Ad. Serv.	4	\$794.42	\$3,177.68
Microsoft Windows 2000 Ad. Server	4	\$794.42	\$3,177.68
Microsoft Windows 2000 Advanced Server	2	\$794.42	\$1,588.84
Microsoft Windows 2000 Prof.	854	\$127.22	\$108,645.88
Microsoft Windows 2000 Server	28	\$485.18	\$13,585.04
Microsoft Windows 95	3	\$106.36	\$319.08
Microsoft Windows 98	21	\$101.82	\$2,138.22
Microsoft Windows Millennium Operating Sys.	1	\$109.00	\$109.00
Microsoft Windows NT Server	68	\$509.78	\$34,665.04
Microsoft Windows NT Workstation	682	\$250.00	\$170,500.00
Microsoft Windows XP Professional	21	\$299.99	\$6,299.79
Microsoft visual FoxPro 6.0	1	\$188.77	\$188.77
Microsoft Office XP Prof.W/F.Page (PowerPoint)	6	\$499.99	\$2,999.94
Microsoft Project 98	4	\$231.57	\$926.28
Project 2000	10	\$232.80	\$2,328.00
Visio 2000 Ent. Ed. & Tech Ed.	1	\$906.32	\$906.32
Visio 2000 Enterprise ED.	1	\$906.32	\$906.32
Visio 2000 Enterprise Ed	3	\$906.32	\$2,718.96
Visio 2000 Enterprise Edition	32	\$906.32	\$29,002.24

**EXHIBIT B**

**OIG ANALYSIS OF AGENCY SOFTWARE**

<b>SOFTWARE</b>	<b>DEFICIENCIES</b>	<b>UNIT COST</b>	<b>TOTAL</b>
Visio 2000 Professional ED.	4	\$335.45	\$1,341.80
Visio 2000 Professional Ed.	2	\$335.45	\$670.90
Visio 2000 Professional Edition	2	\$335.45	\$670.90
Visio 2000 Standard Ed.	23	\$167.45	\$3,851.35
Visio 2000 Standard Edition	2	\$167.45	\$334.90
Visio 2000 Technical Edition	6	\$335.45	\$2,012.70
Visio Enterprise 5.0C	1	\$906.32	\$906.32
Visio Professional 5.0A	1	\$343.74	\$343.74
Visio Professional 5.0C	10	\$343.74	\$3,437.40
Visio Standard 5.0	2	\$171.32	\$342.64
Visio Technical 5.0	1	\$299.77	\$299.77
Visio Technical 5.0A	1	\$299.77	\$299.77
Visual Basic	7	\$188.77	\$1,321.39
Visual J ++	2	\$84.00	\$168.00
Visual J++	1	\$84.00	\$84.00
Visual SourceSafe	4	\$342.07	\$1,368.28
Works	1	\$25.56	\$25.56
Works 6.0	1	\$25.56	\$25.56
<b>GRAND TOTAL</b>	<b>4205</b>		<b>\$1,197,358.98</b>

## EXHIBIT C

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE CHIEF TECHNOLOGY OFFICER

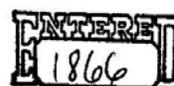


03 JUN 20 PM 5:10

Suzanne J. Peck  
Chief Technology Officer

June 20, 2003

Charles C. Maddox, Esq.  
Inspector General  
717 14<sup>th</sup> Street, N.W., 5<sup>th</sup> Floor  
Washington, DC 20005



Dear Mr. Maddox:

This letter responds to the May 1, 2003, Management Alert Report (MAR-03-A-04) of the Office of the Inspector General (OIG), regarding District of Columbia (District) agencies' use of copies of personal computer software, in violation of software licensing agreements. This response presents actions the Office of the Chief Technology Officer (OCTO) is taking to ameliorate these licensing compliance issues.

In the MAR, the OIG concurred with OCTO's data revealing the high degree of non-compliant software licensing in the District, especially with regard to basic Microsoft software. OCTO and OIG agree that this historic non-compliance exposes the District to significant financial liability, including the possibility of civil damages.

### ENTERPRISE LICENSE AGREEMENT

In anticipation of the need to ensure 100% compliance for software licensing, and on behalf of all District agencies, OCTO has been engaged proactively for the past 16 months in securing an enterprise agreement (EA) for basic Microsoft software.

As of June 20, 2003, OCTO has achieved agreement with Microsoft to enter an enterprise agreement for the Windows desktop operating system, as well as the Microsoft Office Suite of applications, Exchange/Outlook email, and all desktop Client Access Licenses. It does not cover lesser used Microsoft products, such as Visio and Project. The term of the enterprise license program is six years, with a renewal at the District's option at the end of the 6<sup>th</sup> year. The cost of all basic Microsoft software, purchased between April 1 and June 20, 2003, will be applied to the price of the enterprise agreement.

*This enterprise agreement with Microsoft provides full licensing coverage for all basic software installed on District desktops/LANs, ensuring 100% District-wide compliance for basic desktop software. By entering into this agreement, the District will receive complete amnesty for all past non-compliant usage of basic Microsoft software, including relief from any and all related arrears, penalties, and monetary damages.*

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The proposed EA provides *considerable cost savings* for the District compared to the GSA schedule. The District will receive "D" level EA pricing, which is the best discount available from Microsoft. The discount will also apply to the District's servers. In addition, this EA includes Software Assurance coverage, which provides the latest versions and upgrades to basic Microsoft software, and enterprise application user support, at no additional cost, during the term of the agreement.

OCTO also successfully negotiated an approach in which the costs of the EA will be distributed into annual installments over the life of the six-year agreement. Funding for these installments will be collected from agencies by the Office of Finance and Resource Management (OFRM), of the Office of the Chief Financial Officer (OCFO), on a *pro rata* basis (*see* Funding, below).

### FURTHER STEPS

Notwithstanding the significant benefits of the EA OCTO is securing from Microsoft, further actions are required to assure full software licensing compliance by all District agencies. While District employees are expected to obey the law, it appears that agency self-policing of software licensing to date has been insufficient, and often negligent. In addition, not all software licensing agreements will fall under the current EA for basic Microsoft products. Agencies may also overpay if they procure software or hardware outside of OCTO's negotiated enterprise agreements and rates.

Accordingly, OCTO embraces the OIG's recommendation that OCTO take sufficient control of software licensing and procurement for the District, to "promptly implement software acquisition policies, . . . [as well as procedures for] up-to-date hardware and software inventories, . . . [and for the periodic comparisons of] inventories to purchase documents" (MAR, p. 5, **Recommendation 3**).

Centralizing the licensing of software is well within the scope of OCTO's authority under DC Code §§ 1-1401 et seq., OCTO's authorizing legislation. The statute describes OCTO's purpose as "centraliz[ing] responsibility for the District government's investments in information technology and telecommunications systems to help District departments and agencies provide services more efficiently and effectively," and it includes among OCTO's functions the "[i]mplement[ation of] information technology solutions and systems throughout the District government." Software is an element of "information technology," and centralizing software licensing is a solution designed to help create more effective and efficient services.

To accomplish this centralization of software licensing under the oversight of OCTO, OCTO will immediately take the following actions:

- complete negotiations with Microsoft on the EA;

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- develop “policies and procedures regarding use of software, . . . a code of ethics [pertaining to copyright law, and a communication, awareness, and governance program for] . . . educating employees . . . [about unauthorized installation and use of software and] the consequences of noncompliance” (MAR, p. 5, **Recommendations 4a., b., and c.**);
- establish and manage a Software Licensing Desk (SLD) for the District, as part of its new ServUs (IT managed services) program, to monitor the deployment of licensing, audit agency asset inventories, and manage annual license maintenance activities;
- mandate that District agencies notify the SLD about all agency software and hardware purchases, and provide purchase documentation;
- mandate that District agencies exclusively utilize enterprise licensing vehicles that OCTO makes available;
- direct each District agency to appoint an Agency Software License Coordinator (ASLC); and
- mandate that agencies delegate responsibility to ASLCs to ensure that enterprise agreements are complied with, and “that relevant policies and procedures are implemented as intended” (MAR, p. 5, **Recommendation 4d.**), in accordance with Executive Order 13103 that “each agency has present on its computers and uses only computer software not in violation of applicable copyright laws” (cited in MAR, p. 4).

### SOFTWARE LICENSING DESK (SLD)

Central to this approach is OCTO’s immediate deployment of the SLD to manage all desktop/LAN software licensing issues, and to monitor all desktop/LAN hardware and software procurement and maintenance. The SLD will establish policies and specific guidelines, and will work with the agencies and their ASLCs to implement them, ensuring compliance with enterprise agreements and relevant laws.

Furthermore, the SLD will be the central point of contact for ASLCs regarding “awareness program[s] to inform [and educate] District employees of the liabilities and penalties that can result from” the “unauthorized use and installation of unlicensed software, . . . [including] civil and criminal penalties [for copyright infringement, and] . . . software viruses . . .” (MAR, p. 4).

### SOFTWARE INVENTORIES

In addition, the SLD will help agencies to “conduct [periodically] a software inventory and determine if all installed software on their LAN and/or workstations have the requisite license agreements, purchase invoices, or other documentation evidencing licensed software use . . .” (MAR **Recommendation 1**).

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For those agencies in the ServUs program, the SLD will conduct regular, automated software asset audits, using OCTO's LANDesk Inventory Suite. The SLD will also use LANDesk to conduct an annual, electronic sweep of virtually all District desktop/LAN software assets (for agencies under the aegis of the Executive Office of the Mayor (EOM)), regardless of participation in the ServUs program. The SLD will then manage an annual license "true up" activity with Microsoft at the end of each fiscal year.

To accomplish all this, OCTO will mandate that agencies and their ASLCs fully cooperate in the deployment of LANDesk clients on their desktops and LANs, as well as in all other activities relative to inventories. OCTO will report non-cooperating agencies to the Office of the City Administrator (OCA).

The OCTO-negotiated EA with Microsoft obviates the need for manual reconciliation of software inventories and purchase documentation, as it ensures compliance in every instance of basic Microsoft software being copied, distributed among, and installed on any District desktops/LANs.

Nevertheless, the SLD will report to OCFO and OCA any unlicensed usage of software not covered by the EA, as well as wasteful procurements that do not take advantage of the Microsoft EA or any other SLD-negotiated enterprise agreement.

### **DESTRUCTION OF UNLICENSED SOFTWARE**

As the EA is a blanket desktop/LAN software license, fully covering all basic Microsoft products, the District is not required to destroy formerly unlicensed versions of these products that have been installed on District hardware.

Nonetheless, software inventory assessments will undoubtedly discover the use of unlicensed software that is not covered by this EA. OCTO will delegate responsibility to ASLCs "to coordinate the destruction of all copies of software for which the agency lacks the appropriate license(s) . . ." (MAR Recommendation 2).

### **FUNDING**

The cost of enterprise agreements, asset inventories, and establishment and maintenance of the SLD, will be borne by EOM agencies on a *pro rata* basis through a fixed cost billing arrangement, established and drawn down by OFRM. In cases of agencies using unlicensed software not covered by the Microsoft EA, all penalties and costs for achieving compliance will be borne by transgressor agencies.

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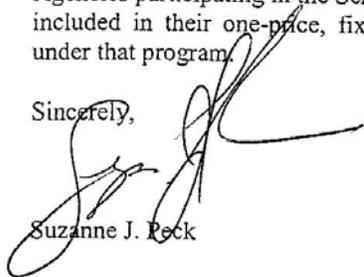
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Agencies participating in the ServUs program will already have all their prorated expenses for the EA included in their one-price, fixed-cost for hardware, software, helpdesk, and IT support services under that program.

Sincerely,



Suzanne J. Reck