

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Department of Veterans Affairs

*Review of
Alleged Wasted Funds
at Consolidated Patient
Account Centers for
Windows Enterprise
Licenses*

December 6, 2016
16-00790-417

ACRONYMS

CPAC	Consolidated Patient Account Center
FY	Fiscal Year
IT	Information Technology
OIG	Office of Inspector General
OI&T	Office of Information and Technology
VA	Department of Veterans Affairs
VDI	Virtual Desktop Infrastructure

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Highlights: Review of Alleged Wasted VA Funds at CPACs for Windows Enterprise Licenses

Why We Did This Review

In November 2015, the Office of Inspector General (OIG) received an allegation that employees at Consolidated Patient Account Centers (CPACs) were required to use two Windows enterprise licenses when thin clients were converted to computers. According to the complaint, CPACs operated within a virtual desktop infrastructure (VDI) environment that required CPAC employees to log onto a virtual machine that had its own Windows enterprise license to perform their work-related functions.

Allegedly, employees were using computers that required Windows enterprise licenses only as a gateway to access a virtual machine that also required a license. The complaint further alleged that the Windows enterprise licenses on the computers were not necessary because the computers were being underutilized.

What We Found

We substantiated the allegation that VA's Office of Information and Technology (OI&T) wasted VA funds at CPACs to purchase underutilized computers that also required Windows enterprise licenses to operate. Specifically, CPAC employees used these computers only as gateways to access virtual machines on the network server that had individual Windows enterprise licenses. This occurred because OI&T mandated that CPACs replace thin clients which depend on networked resources to operate with computers.

However, OI&T did not consider the CPACs' operating framework before purchasing the computers or mandating the replacement. Because CPACs did not change their operating framework when they converted from thin clients and only used computers as gateways, OI&T paid for underutilized computers and avoidable licenses. As a result, OI&T wasted about \$7.2 million in VA funds converting CPACs from thin clients to computers.

What We Recommended

We recommended the Assistant Secretary for Information and Technology implement policies and procedures to ensure cost-effective utilization of information technology equipment, installed software, and services, and ensure the coordination of acquisitions with affected VA organizations. This will help ensure VA's operating framework and organizational needs are considered prior to acquisitions.

Agency Comments

The Assistant Secretary for Information and Technology concurred with our recommendation and provided plans for the corrective action. We will monitor the planned actions and follow up on their implementation.

A handwritten signature in black ink that reads "Larry M. Reinkemeyer".

LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

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RESULTS AND RECOMMENDATIONS

Finding **OI&T Wasted VA Funds at CPACs on Underutilized Computers and Avoidable Windows Enterprise Licenses**

Allegation

In November 2015, the Office of Inspector General (OIG) received an allegation that employees at Consolidated Patient Account Centers (CPACs) were required to use two Windows enterprise licenses when VA's Office of Information and Technology (OI&T) mandated thin clients¹ be converted to computers. According to the complaint, CPACs operated within a virtual desktop infrastructure (VDI) environment. Consequently, CPAC employees used thin clients to log onto a virtual machine that had its own Windows enterprise license to perform their work-related functions.

However, unlike thin clients, computers require a local Windows enterprise license to operate. The complaint also alleged that the second Windows enterprise license required by the purchase of computers was not necessary because the computers were being underutilized. Specifically, CPAC employees used computers only as gateways to access a virtual machine and did not fully use the computers' stored programs or computing capabilities. Instead, CPAC employees used networked resources as if they were still using thin clients.

We substantiated the allegation that OI&T wasted VA funds at CPACs to purchase underutilized computers which required individual Windows enterprise licenses to operate. We determined that about 3,700 CPAC employees were converted from thin clients to computers in FY 2014. This occurred because OI&T's Enterprise Systems Engineering mandated that CPACs replace thin clients with computers in an effort to standardize VA's platform, improve the security posture of VA systems nationwide, and eliminate the VDI environment.

However, OI&T's Enterprise Systems Engineering did not consider the CPACs' operating framework before purchasing computers or mandating the replacement of thin clients. Because CPACs did not change their operating framework when they converted from thin clients to computers and only used computers as gateways, effectively using the computers in the same manner as thin clients, OI&T paid for underutilized computers and avoidable licenses. As a result, OI&T wasted about \$7.2 million in VA funds converting CPACs from thin clients to computers.

¹ A device with only a few locally stored programs that depends on networked resources and typically does not have auxiliary drives or most software applications. Thin clients discussed in this report did not require local Windows enterprise licenses.

**OI&T
Standard
Strategy**

In November 2013, OI&T Enterprise Systems Engineering issued a memo, *Thin Client Use and Replacement of Existing Thin Client End Point Devices*, mandating thin clients be replaced VA-wide with computers as part of a strategy to standardize VA's platform and improve VA's security posture. However, OI&T did not have an approved configuration management baseline for the use of thin clients, which represented about 20,000 (5 percent) of the approximately 400,000 workstations in use, VA-wide. The baseline configuration is a documented, up-to-date specification on the constructed information system and is critical to implementing and maintaining effective information security architecture. All standard, non-standard, custom-developed, and single-instance platforms and applications are required to have an established baseline configuration to measure compliance and to assist the Office of Cyber Security and VA with determining the overall security posture of the system.

Criteria

Executive Order 13589, *Promoting Efficient Spending*, states that agencies should assess current device inventories and usage, and establish controls to ensure that they are not paying for unused or underutilized IT equipment, installed software, or services. Also, an agency should take steps to limit the number of IT devices, such as desktop and laptop computers issued to employees, consistent with Public Law 111-292, commonly known as the *Telework Enhancement Act of 2010*, operational requirements. This also includes an agency's continuity of operations and initiatives designed to create efficiency through the effective implementation of technology.

**CPACs
Operating
Framework
Not
Considered**

According to OI&T's deputy chief information officer, Service Delivery and Engineering, they did not consider the CPACs' operating framework before mandating the replacement of the thin clients with the stand-alone computers in the CPAC VDI environment. Specifically, after Public Law 110-387, *Veterans' Mental Health and Other Care Improvements Act of 2008*, mandated that VA establish not more than seven CPACs to consolidate the functions of traditional Veterans Health Administration business offices, CPAC's OI&T implemented a VDI environment. The VDI environment was designed for more than 3,500 users at seven geographically dispersed locations² to use thin clients to access applications and other processing functions on central servers.

In addition, according to CPAC's acting chief information officer, CPACs relied on the VDI environment operating framework for teleworking and their continuity of operations in emergencies. The purchase and operation of computers required additional Windows licenses that were not required with the use of thin clients.

²The seven CPAC locations include: Las Vegas NV, Leavenworth KS, Smyrna TN, Orlando FL, Asheville NC, Middleton WI, and Lebanon PA.

This table summarizes misused costs of about \$7.2 million for underutilized computers and avoidable Windows enterprise licenses.

Table. Costs for Underused Computers

Wasted VA Funds for Computers and Licenses			
Item Description	Amount	Computers Purchased To Replace Thin Clients	Cost Requirement
Computers - Standard	\$599.46	3,695	\$2,215,005
Computers - Advanced	\$779.46	2	\$1,559
License for Computer	\$1,339.11	3,697	\$4,950,690
Recurring Annual License for Computers	\$20.00	3,697	\$73,940
Total	\$2,738.03		\$7,241,194

Source: VA OIG Analysis of Computers and Windows Enterprise Licenses Contracts

According to OI&T officials, the intent was to eliminate all VDI environments in VA with the mandated replacement of thin clients with computers. However, according to CPAC’s acting chief information officer, the elimination of the VDI environment would be difficult and time-consuming because of CPACs’ reliance on the VDI environment for both teleworking and continuity of operations. Therefore, CPACs used computers only as gateways to continue accessing virtual machines within the VDI environment. CPACs did not eliminate the VDI environment and used computers in the same manner as they had previously used thin clients. Thus, OI&T paid for underutilized equipment and avoidable licenses.

Conclusion

OI&T paid for underutilized computers and avoidable Windows enterprise licenses that resulted from a mandate to replace thin clients with computers at CPACs. CPACs were using computers only as gateways to access virtual machines within a VDI environment. The lack of planning and coordination between OI&T and CPACs resulted in wasting VA funds of about \$7.2 million. In addition, OI&T did not manage IT equipment and licenses to ensure investments were appropriately planned and justified.

Recommendation

We recommended the Assistant Secretary for Information and Technology implement a policy to ensure cost-effective utilization of information technology equipment, installed software, and services and ensure coordination of acquisitions with affected VA organizations. This will help ensure VA's operating framework and organizational needs are considered prior to acquisitions.

***Management
Comments
and OIG
Response***

The Assistant Secretary for Information and Technology concurred with our recommendation and provided plans for the corrective action. We consider the planned actions to be acceptable. We will close the recommendation when we receive sufficient evidence demonstrating progress in addressing the issue identified. Appendix C provides the full text of the Assistant Secretary's comments.

Appendix A Scope and Methodology

Scope We conducted our review from December 2015 through March 2016. The review focused on CPACs' utilization of Windows enterprise licenses.

Methodology In February 2016, we conducted a site visit at the Mid-South CPAC to evaluate the merit of the allegation. We interviewed national and local CPAC officials to gain an understanding of the structure of CPAC offices, the use of thin clients, computers, and Windows enterprise licenses. We reviewed applicable criteria, analyzed key documentation (including contracts, an inventory listing, a decision memo, and a risk analysis), and physically validated the number of Windows licenses in use during normal operations for a random sample of CPAC employees. In addition, we interviewed key OI&T program officials and obtained supporting documentation on operating system usage, inventories, costs of operating and computer systems, and cost of Windows enterprise licenses.

Data Reliability We obtained a computer-generated inventory listing from the Automated Engineering Management System/Medical Equipment Reporting System. This included the thin clients used in the CPAC just before the mandate to convert from thin clients to computers. We were also provided an Excel spreadsheet of the number of computers distributed to the CPACs in response to the mandate. To test for data reliability, we compared the inventory listing and distribution listing against each other to ensure they had roughly the same number of items. We also compared these listings against the CPAC distribution and personnel listings. We determined that the differences in the reports were insignificant.

We used the data simply to determine the number of computers purchased for the CPACs in response to the mandate so we could estimate the amount of unnecessary expenses or questioned costs. Based on this intended purpose of the data, we determined that the data were sufficiently reliable within the context of their limited use and our review objective.

Government Standards We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Appendix B Potential Monetary Benefits in Accordance With Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1	Value of wasted funds identified during our review for underutilized computers and avoidable Windows enterprise licenses.	\$0	\$7,200,000
Total		\$0	\$7,200,000

Note: This amount is based on the cost of replacement computers, licenses for the replacement computers, and the recurring annual license costs. For a breakdown of these costs, see the table on page 3.

Appendix C Management Comments

Department of Veterans Affairs Memorandum

Date: September 19, 2016

From: Assistant Secretary for Information and Technology (005)

Subject: OIG Draft Report, *“Review of Alleged Wasted Funds at Consolidated Patient Account Centers for Windows Enterprise Licenses”*

To: Assistant Inspector General for Audits and Evaluations (52)

Thank you for the opportunity to review the Office of Inspector General (OIG) draft report, *“Review of Alleged Wasted Funds at Consolidated Patient Account Centers for Windows Enterprise Licenses.”* The Office of Information and Technology concurs with OIG’s findings and submits the attached written for recommendation 1. If you have any questions, please contact me at (202) 461-6910 or have a member of your staff contact Dr. Annette Gibbs-Skervin, Strategic Sourcing Senior Advisor to the CIO, at (202) 815-9393.

(original signed by:)

LaVerne H. Council

Attachment

Office of Information and Technology
Comments on OIG Draft Report,
*Review of Alleged Wasted Funds at Consolidated Patient Account Centers for Windows
Enterprise Licenses*

OIG Recommendation 1: We recommended the Assistant Secretary for Information and Technology implement a policy to ensure cost effective utilization of information technology equipment, installed software, and services and ensure coordination of acquisitions with affected VA organizations so that VA operating framework and organizational needs are considered prior to acquisitions.

Comments: Concur. However, critical to the ability of the VA OI&T to support this recommendation is (a) the implementation of FITARA with CIO Source Selection Authority, (b) the adoption of the IT/Non-IT Policy (VA Directive 6008), (c) the establishment of the Category Management and License Management teams in the new Strategic Sourcing organization, and (d) the implementation of the OI&T Governance Boards – specifically the Strategic Sourcing Governance board.

The coordination of IT acquisitions with affected VA organizations is supported by the new VA Directive 6008 or IT/Non-IT policy that clarifies the scope of VA's IT resources subject to the oversight authority of VA's Chief Information Officer (CIO). This oversight is necessary to ensure alignment of these resources with enterprise IT, and to ensure that all VA IT-related assets are acquired within the constraints and intent of the VA's IT System appropriation account.

The cost effective utilization of information technology equipment, installed software and services is supported by the implementation of FITARA and the assignment of Source Selection Authority to the CIO. This will provide the CIO with the acquisition award authority that is necessary to ensure adherence to a holistic approach to technology acquisitions. In addition, OI&T is enhancing capabilities to monitor software installation and utilization such as the new Continuous Diagnostic Mitigation (CDM) technology.

Finally, the OI&T Strategic Sourcing Governance board, with the embedded reviews and stage gates will ensure that the VA operating framework and organizational needs are considered prior to acquisitions. As members of this board, the newly established Information Technology (IT) Account Management offices ensure a disciplined match of technology with business requirements.

Target Completion Date: December, 2017

For accessibility, the format of the original documents has been modified to fit in this report

Appendix D Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Acknowledgments	Al Tate, Director Loralee Bennett Barbara Ferris Robert Skaggs

Appendix E Report Distribution

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