

Software Licenses



Objective

Is the City managing software licenses to minimize costs while maintaining compliance with applicable requirements?

Background

Software is a significant part of the City's technology spending. Every department uses software to accomplish its mission. The City has multi-million-dollar contracts for software licenses from vendors such as Microsoft and Oracle that are used Citywide. The City also has many other smaller contracts for software licenses that are only used by certain departments.

Communications and Technology Management (CTM) is the primary information technology department for the City. CTM manages some software licenses for the City as a whole. However, CTM does not manage all the software licenses used by the City. Departments also manage a number of their own licenses.

What We Found

The City could identify ways to save money and improve the compliance of its software licenses if the City had an inventory and Citywide management of software licenses.

The City has not implemented leading practices to manage software licenses cost-effectively or to maintain compliance with software license agreements.

The Government Accountability Office's Leading Practices for Managing Software Licenses	The City Has Not Implemented Leading Practices for Managing Software Licenses
Centralized management	Decentralized management
Establish software license inventory	No inventory of software license counts or costs
Track and maintain inventory	
Analyze software license data	No clear process to analyze software license data (See Appendix A)
Provide sufficient training	No Citywide policies, guidance, or training on managing software licenses

What We Recommend

The City's Chief Information Officer should:

- work with City departments to develop an inventory of software license counts and associated costs; and
- work with the Chair of the IT Steering Committee to develop a policy for departments on how to manage software licenses consistent with leading practices. This policy should clearly set out the standards for the City's software license activities.

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Appendix A

The City does not have a clear process to analyze software license data to know what software licenses it needs and may pay for licenses that departments do not fully use.

In fiscal year 2020, the City appears to have spent about \$500,000 on three types of Microsoft Office 365 licenses for users who have never logged in to email or did not log in during 2020.

If the City had consistent processes to analyze license usage data, the City could better assess the need for all software licenses, including Office 365, and potentially identify opportunities to save money.

Exhibit 1: The City Spent \$7.4 Million on Three Main Types of Office 365 Licenses with Varying Costs in Fiscal Year 2020

License Type	Plan 2	G3	G5
Description	Allows users to send and receive email	Allows users to send and receive email as well as have access to desktop supported Microsoft applications and other features	Builds on the G3 license with additional features such as conference bridging, business analytics, and more security
Users	2,372	9,476	5,916
Cost per user	\$6.18 per month	\$29.66 per month	\$54.54 per month
Annual cost	\$175,908	\$3,372,698	\$3,871,904

Exhibit 2: The City Appears to Have Spent About \$500,000 for Licenses for Users Who Have Never Logged in to Email or Did Not Log in During 2020

License Type	Plan 2	G3	G5	Total
Users	1,818	815	148	2,781
Cost	\$134,823	\$290,075	\$96,863	\$521,761
Percent of users	65.4%	29.3%	5.3%	100%
Percent of cost	25.8%	55.6%	18.6%	100%

Sources: Office of the City Auditor interviews with CTM staff and analysis of CTM's Office 365 license costs and Office of the City Auditor analysis of CTM email login data, September 2020.