

IRS Could Save Millions with Better Software License Management

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In late September, the Treasury Inspector General for Tax Administration (TIGTA) released a report identifying between \$81 million and \$114 million wasted because of “inadequate management of server software licenses.”

Software license management is part of an effective and efficient overall IT management program and is crucial to maintaining and supporting IRS business operations and taxpayer services. TIGTA conducted the audit of server software license management to assess IRS’ performance in this area of IT and to include their findings in their FY 2014 Annual Audit Plan.

TIGTA found that IRS’ management of server software licenses is not adequate and does not meet industry best practices.

Admittedly, software license management is difficult. However, it is a critical part of software asset management which involves managing, controlling, and protecting an organization’s software assets. Proper management of software licenses helps to minimize risks by ensuring that licenses are used in compliance with licensing agreements and cost-effectively deployed.

TIGTA has been conducting a number of IRS audits related to software management over the last year due to the complexity of the IRS software license environment. TIGTA carried out three separate audits: desktop and laptops, mainframes, and servers. In the two prior audits, TIGTA found that IRS did not:

- Adequately perform software license management.
- Adhere to federal requirements and recommended industry best practices.
- Have enterprise-wide or local policies, procedures, and requirements for software license management.
- Have defined roles and responsibilities and a centralized organizational structure for managing software licenses.
- Use specialized software license tools designed to be the repository for software and software license deployment.
- Have an accurate inventory of software and related licenses that contains licensing models applicable to each software product which links data on the licenses purchased and deployed.

IRS has been working to correct the above findings.

This most recent TIGTA audit focused exclusively on management of server software licenses and took place from May 2013 to March 2014.

TIGTA found the IRS does not effectively manage server software licenses. According to TIGTA findings:

- The IRS does not have defined policies and procedures or roles and responsibilities for server software license management.
- The IRS does not use software license tools and does not maintain server license inventories in accordance with federal requirements and industry best practices.

TIGTA found that the IRS did not have license documentation for 11 out of 23 products reviewed. Additionally, for 15 of those software products, the IRS did not have documentation to track the number of licenses purchased versus the number deployed.

For IBM software products, the IRS did not have licenses for 43 products which cost approximately \$1 million to \$1.4 million per product. But IRS took issue with this finding, responding that TIGTA misinterpreted the licenses and what constitutes usage of perpetual licenses.

TIGTA recommended that the IRS include server software management in its enterprise-wide software management program currently under development. Better overall software license management at IRS would reduce IT risks, as well as provide cost savings.

IRS management agreed with the recommendation, and server software is already being considered as a component of the enterprise-wide software management program. Additionally, an Enterprise Software

Governance Board and Working Group have been established to develop a standardized process for ensuring consistency in asset management across the enterprise.