

# **Audit of Software Acquisition and Licence Management: Managing and Optimizing Value from Software Licences**

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# **Agenda**

- **Why this Audit Matters**
- **Audit Objectives**
- **Key Audit Findings & Recommendations**
  1. Improve software licence acquisition, management, and utilization
  2. Terminate licences of former employees in a timely manner
  3. Strengthen IT asset management governance
  4. Explore potential cost saving opportunities
- **Going Forward**

# Why this Audit Matters

- City spent \$78 million on software licences and maintenance costs in 2023
- City's total spend from 2019 to 2023 was **\$235 million** on software acquisition, maintenance, and support
- Over 7,500 software titles – over 1,200 are purchased software products

# **Audit Objectives**

To assess whether the City:

- ensures **accurate tracking** of software licences, subscriptions, and maintenance; and
- **identifies unused software** in a **timely manner**.

# **Key Audit Findings – 4 Areas**

1. Improve software licence acquisition, management, and utilization
2. Terminate licences of former employees in a timely manner
3. Strengthen IT asset management governance
4. Explore potential cost saving opportunities

# 1. Improve Software Licence Acquisition, Management, and Utilization

- Cost of unused licences was almost \$11 million

Software	Cost of Unused Subscriptions/ Licences	Cost of Licences Assigned to Former Staff/Employees on Long-Term Leave	Total Cost of Unused Licences
Microsoft M365	\$6,896,597	\$1,046,795	\$7,943,392
SAP S/4 HANA	\$1,932,376	--	\$1,932,376
SAP ECC on-premises	\$20,080	\$296,341	\$316,421
Public Digital Access (PDA)	\$657,177	--	\$657,177
Adobe Acrobat	\$119,800	\$14,550	\$134,350
<b>Total Cost</b>	<b>\$9,626,030</b>	<b>\$1,357,686</b>	<b>\$ 10,983,716</b>

# 1. a) Bulk Purchase of Microsoft 365 Subscriptions

- City purchased Microsoft 365 (M365) licences for an initial 10,000 users in June 2021
- Technical issues known during pilot assessment
- Unused license cost of \$6.9M for 18 months
- As of March 2023, all 10,000 users had been assigned Microsoft 365 licences

Subscription Period (Bulk purchase, licences for 10,000 users)	Total Cost of M365 Subscriptions	% usage*	Cost of Unused Subscriptions
Year 1: June 2021 - May 2022	\$5,140,800	7.5%	\$4,755,240
Year 2: June 2022 - Feb 2023**	\$3,855,600	44.5%	\$2,141,357
<b>Total</b>	<b>\$8,996,400</b>		<b>\$6,896,597</b>

# **1. b) Unused Cloud Licence Subscriptions**

## **SAP S/4 HANA**

- Unused license cost of \$1.9M for 16 months
- 16 month delay due to complexity in integrating with other applications

## **ForgeRock Licences for PDA Solution**

- Unused license cost of \$657K as of September 2024
- Additional 700k licenses purchased during proof of concept to secure volume discount
- Delayed implementation due to usability and accessibility issues
- As of September 25, 2024, only 15,331 out of 800,000 licences were in use



# **1. Recommendations – Improve software acquisition, management, and utilization**

- Improve Project planning and coordination
- Evaluate whether existing unused licences can be reduced or deferred where projects are delayed
- Improve reporting on cost of licences associated with delayed projects

## **2. Terminate Licences of Former Employees in a Timely Manner**

### **Microsoft M365**

- 1,554 former employees had a M365 licence subscription, costing more than \$1 million

### **SAP ECC**

- 526 former employees/ employees on long-term leave were not deactivated, costing \$296K

**Other common applications such as Adobe Acrobat, Cisco Jabber, and WebEx, had similar issues**

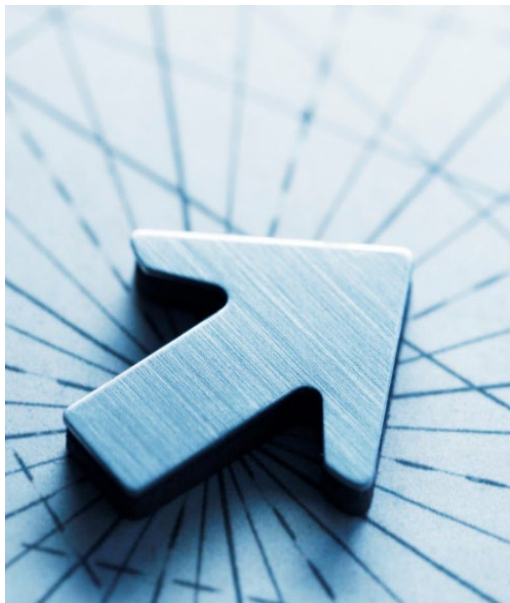
### **3. Strengthen IT Asset Management Governance**

- Ongoing software data reliability issues in current ITAM system
- Lack of clearly defined data strategy and plan for new system
- ITAM policy and guidelines are outdated

## **4. Explore Potential Cost Saving Opportunities**

- City and its agencies and corporations have over 75,000 employees who may be using common software applications
- Better information sharing will allow for improved planning to leverage economies of scale, and potential savings in future contract negotiations

# Going Forward



10 Recommendations – Management has agreed to all of them

Previous AG reports – 12 recommendations

Recommendations should be considered for other software and applications used across the City

Themes of improving IT governance and reporting and IT project management also included in recommendations of other recent audit reports

**AUDITOR  
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**TORONTO**

