



## Treasury Inspector General for Tax Administration Office of Audit

### THE INTERNAL REVENUE SERVICE SHOULD IMPROVE SERVER SOFTWARE ASSET MANAGEMENT AND REDUCE COSTS

Issued on September 25, 2014

## Highlights

Highlights of Report Number: 2014-20-042 to the Internal Revenue Service Chief Technology Officer.

### IMPACT ON TAXPAYERS

Computer software is typically protected by Federal copyright law, which requires users of software programs to purchase licenses authorizing such use. Software licenses are legal rights to use software in accordance with terms and conditions specified by the software copyright owner. Efficient and cost-effective management of the IRS's software assets is crucial to ensure that information technology services continue to support the IRS's business operations and help it to provide services to taxpayers efficiently.

### WHY TIGTA DID THE AUDIT

The overall objective was to determine whether the IRS is adequately managing server software licenses. The audit is included in our Fiscal Year 2014 Annual Audit Plan and addresses the major management challenge of Achieving Program Efficiencies and Cost Savings.

### WHAT TIGTA FOUND

The IRS does not effectively manage server software licenses and is not adhering to Federal requirements and industry best practices. The IRS does not have enterprise-wide or local policies, procedures, and requirements for managing server software licenses and does not have a centralized, enterprise-wide organizational structure for managing server software licenses.

The IRS does not have an enterprise-wide inventory of license purchase and deployment data on server-based software, nor does it have any specialized software license management tools for developing and maintaining such an enterprise-wide inventory. TIGTA estimates that the amount wasted because of the inadequate management of server software licenses is in the range of \$81 million to \$114 million based on amounts spent for licenses and annual license maintenance that were not being used at the time of a compliance review. This range could be lower or higher depending on the extent that the IRS had used the

licenses prior to the compliance review. However, the IRS does not know if the software licenses were ever used. In addition, for some software, more licenses were deployed than purchased. TIGTA estimates the value of these overdeployed licenses to be in the range of \$24 million to \$29 million.

### WHAT TIGTA RECOMMENDED

To improve the management of server software licenses based on Federal requirements and recommended industry best practices, TIGTA recommended that the Chief Technology Officer incorporate server software license management in the enterprise-wide software management program currently under development.

In their response to the report, IRS management agreed with the recommendation, and server software is already being considered as a component of the enterprise-wide software management program under development. An Enterprise Software Governance Board has been established along with a working group. This effort includes the development of a standardized process for ensuring consistency in asset management across the enterprise. The IRS is also working to complete other software management actions, including developing an enterprise-wide repeatable method to manage and track the deployment of licenses that can be uniformly used by all organizational entities responsible for managing licenses.

Although the IRS agreed that inadequate management of server software licenses is a problem, it did not agree that it has resulted in significant waste and believes it has mitigated some of these issues with a software contract that was awarded at the end of 2012.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2014reports/201420042fr.pdf>

E-mail Address: [TIGTACommunications@tigta.treas.gov](mailto:TIGTACommunications@tigta.treas.gov)

Website: <http://www.treasury.gov/tigta>

Phone Number: 202-622-6500