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**Costs, compliance, and complexity**

Software asset management for federal agencies

# Federal agencies spend billions per year on software. But how do they maximize the value of this expense and avoid needless waste?

As a result of recent legislation, as well as Office of Management and Budget (OMB) guidelines related to software asset management (SAM), many agencies have been scrutinized for some of the largest unrealized cost-savings opportunities. These cost-savings opportunities can be found in how agencies forecast, procure, install, maintain, monitor, track, decommission, and reuse software licenses and other information technology (IT) assets.

Agencies have taken steps toward implementing people, processes, and technology to attain compliance with the legislation. Those agencies that implement a broader SAM program may also realize the added benefits of optimizing cost savings and gaining greater efficiencies.

## Current SAM legislation

There are many pressures on agencies to save costs, especially in the area of IT and software. Within this area, three specific mandates have been announced:

- **The Federal Information Technology Acquisition Reform Act (FITARA)**, which directs agencies to become more prescriptive in managing software assets. But the legislation, while well-intended, doesn't provide agencies with a specific action plan to follow. It also doesn't provide guidance on what a successful IT/software asset management program should look like. While this isn't necessarily detrimental to the individual agencies, without metrics against which to measure a SAM program, defining success will be a challenge.
- **The Making Electronic Government Accountable by Yielding Tangible Efficiencies Act (MEGABYTE)** specifies that chief information officers of federal agencies must implement policies to better govern and manage the use, procurement, and contracting of software licenses. With a goal of saving more than \$2 billion, or 30 percent, of the \$6 billion that agencies spend annually, MEGABYTE is adding pressure to make cost savings mandatory.
- **OMB required that by July 18, 2016**, agencies must name a software license manager and supporting team. In addition, by September 30, 2016, agencies were required to compile a baseline inventory of the commercial off-the-shelf software purchased, deployed, and in use. On a quarterly basis from August 31, 2016 on, OMB will analyze all cost savings and avoidance attributable to improved SAM. Starting in November 2016, agencies must report software license savings and cost avoidance to OMB on a quarterly basis.

## Some compliance challenges in the federal space

Fundamentally, software is complex. This complexity makes it harder to manage a centralized view, common language and understanding, standard tool set, and an overall comprehensive program. In some cases, agencies may not even be in control or aware of software installed in their environment. Without a government-wide SAM strategy in place, agencies are trying to solve the asset management problem in their respective organizations. But by approaching the problem with lessons learned from well-governed enterprises in the commercial market, agencies can increase their chance of success in meeting mandates, increasing efficiencies, and better serving their constituencies.

## Benefits of adopting a strategic SAM program

Waste can be quickly isolated and costs can be significantly reduced with a more strategic view of software asset deployment. A strategic view can help lead to:

- **Right-sizing software maintenance.** When underused licenses are factored out of ongoing maintenance payments, agencies can realize an immediate cost savings. Isolating those unused licenses, and updating forecasts so that the licenses will not be re-deployed elsewhere, will be key to achieving these savings.
- **Purchase reduction through reuse.** Reusing existing licenses, rather than procuring more, is a simple solution to the problem. Software assets deployed across agencies are exceptionally difficult to manage. A centralized view of all available assets can help agencies prevent unnecessary purchases of new licenses.
- **Negotiated hard dollar savings.** As a whole, and when combined within agencies, the purchasing power of the federal government is large. By bringing a comprehensive view across all agencies, most-favored nation status can be quickly gained, which brings better negotiation. In order to get there, agencies should consider banding together to gain reporting insights powered with an analytic view of software assets.
- **Productivity gains.** Standardizing processes to eliminate manual SAM activities, while providing organizational transparency of software assets, can enable an agency to gain greater efficiencies in operations and reduce the amount of time spent gathering data to fulfill monthly and yearly reporting requirements.

Furthermore, agencies will be in a better position to quickly respond to audits, decrease cyber security risk with greater IT environment insight and oversight, and identify software with duplicate functionality to shrink the number of titles in the software estate.

### Overcoming the challenges

Without the appropriate people, processes, and technology in place for SAM, agencies may be hard-pressed to understand their software use and reduce their overall spend. By applying leading practices such as defining roles and responsibilities, issuing communication about the SAM program, and using tooling options to understand and manage software, agencies can take a step toward optimizing their IT costs and risk. One challenge is identifying where in the organization the SAM program will best reside: IT operations, the vendor management branch, or procurement are likely locations for SAM. Assessing existing processes and ownership of tools and data can make this decision clear, and it can enable agencies to limit their operational, financial, and legal risk. They can also better meet compliance requirements related to the ownership and use of software.

Effective management, control, and protection of software assets are essential to optimize their value and mitigate the risk associated with software license compliance. With an optimized SAM program, agencies can gain greater value from the software assets they use and reduce waste throughout their organization's operations.

### Why Deloitte Advisory?

As the industry leader in SAM Managed Services, Deloitte Advisory brings the skills, experiences with license optimization technologies, and our own proprietary tools to the table to help your agency realize software optimization, cost savings, and improve operational efficiency in three distinct ways:

- Audit cost avoidance
- Software optimization
- Indirect IT labor savings

We achieve these goals through our services that are designed to help you address three types of tasks: operational, ad-hoc, and transformative. Our engagements can either be comprehensive managed services or a hybrid model, where we supplement your existing team that's already operating in certain terrains.



#### Let's talk

If you're interested in learning more, please contact us. We'd be happy to schedule a meeting with you and your team.

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