Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: June 26, 2026 **Refer To:** 062417

To: Frank Bisignano
Commissioner

From: Michelle L. Anderson Michelle L. Anderson
Assistant Inspector General for Audit
as First Assistant

Subject: The Social Security Administration's Use of Microsoft 365 Licenses

The attached final audit report presents the results of the Office of Audit's subject engagement. The objective was to determine whether the Social Security Administration procured Microsoft 365 licenses in accordance with its operational needs. We are not making formal recommendations for corrective action, and the Agency can act in response to this information as it deems appropriate.

If you wish to discuss the final report, please call me or have your staff contact Jeffrey Brown, Deputy Assistant Inspector General for Audit.

Attachment

AUDIT REPORT

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) procured Microsoft 365 licenses in accordance with its operational needs.

BACKGROUND

Microsoft 365 is a cloud-based suite of productivity and collaboration tools that enhance workplace efficiency and communication. It includes office applications (Word, Excel, PowerPoint, Outlook); collaboration tools (Teams, SharePoint, OneDrive); productivity enhancement tools (Power BI, Planner, Power Apps); and security and threat protection (Defender Antimalware, Defender Firewall, Defender for Identity).

In 2021, SSA entered into a blanket purchase agreement with a vendor for Microsoft 365 G5 licenses for Fiscal Years (FY) 2022 through 2026. The agreement consists of a 1-year base period and four, 1-year option periods. Under the agreement, SSA agreed to purchase at least 94,500 licenses, annually, unless its requirements change by more than 10 percent because of a reorganization or consolidation. In such cases, the vendor works with SSA to accommodate the change. SSA could acquire additional licenses, if needed; however, additional licenses would be subject to a higher per-license cost (see Table 1).

Table 1: SSA's Blanket Purchase Agreement as of November 2021

Period	FY	Minimum Quantity	Average Per-License Cost for Minimum Quantity	Per-License Cost for Additional Licenses
Base Year	2022	94,500	$357	$645
Option Year 1	2023	94,500	$381	$645
Option Year 2	2024	94,500	$409	$645
Option Year 3	2025	94,500	$438	$645
Option Year 4	2026	94,500	$495	$645

SSA's minimum quantity of 94,500 licenses per year is based on its operational need to support approximately 86,000 active users, plus an additional 10-percent reserve. The Agency maintained this reserve for several reasons, including retaining licenses assigned to separated employees for 90 days to allow those employees to reclaim their licenses if they return.

According to subject-matter experts, purchasing only the number of licenses required and subsequently acquiring additional licenses as needed may not have been cost-effective because the Agency received more favorable pricing by purchasing licenses in larger quantities under its agreement. Subject-matter experts stated any potential savings from purchasing fewer licenses could have been offset by the higher per-license cost.

Subject-matter experts also stated the process of acquiring more than 15 additional licenses at once could take longer than 30 days to complete because the process involves routing the requisition through multiple approval levels, including the Chief Information Officer, if the requisition exceeds $100,000. Maintaining the reserve of licenses allowed the Agency to immediately put licenses to use when needed.

Scope and Methodology

We reviewed SSA's Microsoft 365 license purchases and use for FYs 2022 through 2026. For more information about our scope and methodology, see Appendix A.

Results of Review

SSA generally procured Microsoft 365 licenses in accordance with its operational needs. From FYs 2022 through 2024, SSA aligned its Microsoft 365 license purchases with the number of users who required licenses. Unused licenses represented approximately 1 percent of SSA's total licenses in FYs 2022 and 2023 and about 5 percent in FY 2024. These levels indicate SSA's Microsoft 365 license agreement, which included a 10-percent reserve of licenses above planned use, was sufficient to reasonably accommodate fluctuating user needs.

However, in March 2025, SSA left approximately 13 percent of licenses unused, which exceeded the 10-percent reserve. The Agency maintained 2,577 licenses above the reserve, which was beyond what it required to meet its operational needs (see Table 2).

Table 2: Number of Unused Licenses Exceeding the 10-Percent Reserve

FY	Licenses Purchased	Unused Licenses	Unused Licenses in Excess of SSA's 10-percent Reserve
2022	94,500	1.0%	0
2023	94,500	0.6%	0
2024	94,500	4.9%	0
2025	94,500	12.7%	2,577

The licenses SSA maintained above its operational needs resulted from significant and unanticipated staffing attrition. For example, SSA's staffing decreased by approximately 6,500 employees between FYs 2024 and 2025. This decrease did not include additional FY 2025 reductions among disability determination services or contract employees for whom SSA also purchased licenses.

In April 2025, we met with SSA's Chief Information Officer and other SSA personnel to inform them the Agency maintained licenses above its operational needs and allow the Agency to take corrective action before it exercises the final year (FY 2026) of its license agreement. After our meeting, SSA contacted the vendor to discuss reducing its license purchases. Because staffing changes decreased SSA's license requirements by more than 10 percent, SSA worked with the vendor to reduce the number of licenses it would purchase in FY 2026. Instead of purchasing 94,500 licenses—the quantity SSA would have procured under Year 4 of the agreement—SSA reduced its purchase to 82,514 licenses at an average cost of $494 per license. We estimate SSA saved approximately $6 million by exercising this contractual provision.

Conclusion

SSA reduced its FY 2026 Microsoft 365 license purchase to align with its operational needs by exercising a provision in its FY 2022 through 2026 agreement. SSA personnel stated its next Microsoft 365 license agreement, beginning in FY 2027, will include the same provision to allow the Agency to reduce licenses after the base year if staffing levels decline by more than 10 percent because of reorganization or consolidation. Based on this planned action, we are not making a recommendation.

Agency Comments

SSA did not provide any comments in response to our draft report.

Other Matters

OMB Circular A-130[1] requires that Federal agencies avoid duplicative information technology investments. In 2021, before SSA entered into its Microsoft 365 license agreement for FYs 2022 through 2026, it engaged consultants to evaluate licensing options and identify opportunities for cost optimization. As part of this effort, the consultants identified the following Microsoft 365 software products as potentially redundant with SSA's pre-existing software:

- Audio Conferencing, Phone System
- Azure AD P1
- Azure AD P2
- Azure Information Protection P2
- Defender for O365
- Defender for Endpoint
- Defender for Identity
- eDiscovery & Audit
- MCAS
- Power BI Pro

In FY 2025, SSA paid approximately $7.6 million for software consultants identified as potentially redundant. According to SSA subject-matter experts, the Agency had not completed a comprehensive review of potential duplication among the identified software.

A comprehensive review would consist of an assessment of the functional requirements, business-process impacts, implementation and transition costs, and training needs. The review would also determine whether the Microsoft 365 products could meet component-specific operational needs.

[1] OMB Circular A-130, *Managing Federal Information as a Strategic Resource*, sec. 5(d)(1)(c), p. 11 (Revised July 2016).

We are bringing this matter to SSA leadership's attention so they may consider instructing staff to conduct a comprehensive review to determine whether the Agency is paying for redundant and unnecessary software.

Appendix A – Scope and Methodology

To accomplish our objective, we did the following.

- Reviewed the Social Security Administration's (SSA) Microsoft 365 purchases for Fiscal Years 2022 through 2026.
- Gained an understanding of how SSA determined its operational needs for Microsoft 365 licenses.
- Determined how SSA allocated its Microsoft 365 licenses.
- Compared the number of Microsoft 365 licenses SSA purchased and used for each year under the agreement, identified discrepancies, determined the underlying causes, and evaluated their significance.

We conducted our review from December 2024 through May 2026. The principal entity audited was SSA's Office of the Chief Information Officer. We assessed the significance of internal controls necessary to satisfy the audit objective. This included an assessment of five internal control components. In addition, we reviewed the principles of internal controls associated with the audit objective. We identified the following components and principles as significant to the audit objective.

- Component 3: Control Activities
  - Principle 10: Design control activities
  - Principle 12: Implement control activities
- Component 5: Monitoring
  - Principle 16: Perform monitoring activities

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and conduct the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objective.

Microsoft Statement

The following statement is in response to the audit, *The Social Security Administration's Use of Microsoft 365 Licenses*, 062417, submitted by Microsoft on July 8, 2026 pursuant to Pub. L. No. 117- 263, § 5274.

Microsoft's Response

"We have reviewed the attached public report. While we will not be submitting a formal written response, we appreciate your partnership and the advance notice."