



Microsoft 365 Licensing Audit Checklist

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How to Use This Checklist

This worksheet walks through a six-step Microsoft 365 licensing audit designed for mid-sized IT teams. Work through each section in order – inventory first, then usage correlation, then the decisions that those data points enable. The goal is to enter your next renewal conversation with visibility, leverage, and a documented list of recoverable spend.

Timing: Run this audit at least 90 days before your next renewal date, ideally quarterly. With the July 2026 Microsoft price adjustment, audits completed now produce the most leverage.

Step 1: License Inventory

Foundational visibility. Before you optimize anything, know what you're actually paying for.

Audit Item	Status	Recoverable?
Total active Microsoft 365 subscriptions documented	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	<input type="checkbox"/> Yes <input type="checkbox"/> No
Assigned seats per SKU confirmed against admin center	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	<input type="checkbox"/> Yes <input type="checkbox"/> No
Unassigned / available seats identified	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	<input type="checkbox"/> Yes <input type="checkbox"/> No
Total annual spend per SKU calculated	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	<input type="checkbox"/> Yes <input type="checkbox"/> No
Contract end dates and commitment terms documented	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	<input type="checkbox"/> Yes <input type="checkbox"/> No

Step 2: Usage Correlation (Inactive Users)

Largest single source of M365 waste. Expect to recover 5–15% of seats here.

Audit Item	Status	Seats Recoverable
Last-login report pulled for all assigned users (60-day window)	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	-----
Users with no email activity in 60 days identified	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	-----
Users with no Teams activity in 60 days identified	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	-----
Former employees still holding licenses flagged	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	-----
Contractor / integration / test accounts reviewed	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	-----
Removal schedule drafted and approved	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	-----

Step 3: Tier Appropriateness (Wrong-SKU Assignments)

Users on premium tiers with basic usage patterns – or vice versa. Typical savings: 8–20% of eligible users.

Audit Item	Status	Users Affected
Business Basic users actually needing desktop Office identified	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	-----
Business Standard users served fine by Business Basic identified	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	-----
E5 users not using premium security/analytics features flagged	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	-----
E3 users needing E5-only capabilities identified	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	-----
Users grouped by actual feature usage profile	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	-----
Tier migration plan drafted with effective dates	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	-----

Step 4: Add-On Audit

Each add-on was purchased for a reason. Verify the reason still applies.

Add-On	Assigned Users	Active Usage?	Keep?
Microsoft 365 Copilot	-----	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Keep <input type="checkbox"/> Cancel
Power BI Pro / Premium Per User	-----	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Keep <input type="checkbox"/> Cancel
Teams Phone / Calling Plan	-----	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Keep <input type="checkbox"/> Cancel
Audio Conferencing	-----	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Keep <input type="checkbox"/> Cancel
Defender for Office 365 / Advanced Threat Protection	-----	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Keep <input type="checkbox"/> Cancel
Azure AD Premium P1 / P2	-----	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Keep <input type="checkbox"/> Cancel
eDiscovery / Compliance add-ons	-----	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Keep <input type="checkbox"/> Cancel
Extra SharePoint / OneDrive Storage	-----	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Keep <input type="checkbox"/> Cancel

Step 5: Copilot Stacking Cost Analysis

Copilot requires a qualifying base license. Total landed cost is often 30–50% higher than the headline Copilot price.

Cost Component	Per User / Month	Notes
Current base license (Business Std, Business Prem, E3, E5)	\$____	
Base-tier upgrade required for Copilot qualification (if any)	\$____	
Microsoft 365 Copilot add-on fee	\$____	
Required security / compliance add-ons for Copilot deployment	\$____	
Total landed cost per Copilot seat	\$____	
Total annual cost for planned Copilot rollout	\$____	

Step 6: NCE Commitment Structure Review

The deepest discount is not always the best structure. Match commitments to actual business volatility.

Audit Item	Status	Action
Current commitment structure documented (monthly / annual / 3-year)	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	
Stable-vs-volatile seat segmentation mapped	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	
Net value of current commitment discount vs flexibility premium calculated	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	
Alternative commitment mix modeled (hybrid annual/monthly)	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	
July 2026 price adjustment impact on renewal calculated	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	
Recommended commitment structure for next renewal documented	<input type="checkbox"/> Done <input type="checkbox"/> In Progress	

Audit Readiness: Microsoft License Compliance

The best defense against a Microsoft-initiated license review is preemptive audit-readiness. If you can't produce these, get them before Microsoft asks.

- License assignment records match active usage patterns
- Audit trail for license changes is retained and accessible
- Evidence of feature usage aligns with purchased tiers (no under-licensed scenarios)
- Shared mailboxes and service accounts are documented and appropriately licensed
- Guest / external users are reviewed against entitlements
- Third-party integrations (Graph API consumers) are tracked against license counts

Recovery Summary

Quantify the findings before the renewal conversation. The numbers in this table are what give you leverage.

Recovery Category	Seats / \$	Annual Value
Inactive users removable	-----	\$ -----
Tier downgrades (Std → Basic, E5 → E3, etc.)	-----	\$ -----
Tier upgrades (avoid layered add-on cost)	-----	\$ -----
Add-on cancellations	-----	\$ -----
Commitment structure optimization	-----	\$ -----
Total Estimated Annual Recovery	-----	\$ -----

Benchmark: What Good Looks Like

Industry analyses typically find 14–25% total cost reduction in M365 environments that haven't been actively managed. For a \$500K annual spend, that's \$70K–\$125K in recoverable budget. If your audit surfaces less than 8% recovery, either your environment is already well-managed – or the audit didn't go deep enough into tier-appropriateness and add-on utilization.

Ready to Audit Your M365 Licensing Before Renewal?

Plow Networks runs end-to-end M365 licensing audits for mid-sized organizations – inventory, usage correlation, tier appropriateness, add-on review, commitment structure, and audit-readiness documentation – with quantified recoverable spend before your next renewal conversation.

[Request an M365 Licensing Audit →](#)