



Internal Audit Office

MAYOR
Oscar Leeser

DATE: February 24, 2021

TO: Araceli Guerra, Managing Director of Internal Services

CITY COUNCIL

FROM: Edmundo S. Calderon, CIA, CGAP, CRMA, Chief Internal Auditor

District 1
Peter Svarzbein

SUBJECT: Software Licensing Assessment Review

District 2
Alexandra Anello

The Internal Audit Office has completed its assessment of the City of El Paso's Department of Information Technology Services (DoITS) Software Licenses program. This engagement was accepted based on the engagement's potential to improve management of risks, add value, and/or improve the organization's operations (IIA 2010.C1). The work performed does not constitute an engagement conducted in accordance with Generally Accepted Government Auditing Standards (GAS 1.16). The observations and conclusions that are reported in this memorandum do not require Management Responses.

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District 5
Isabel Salcido

District 6
Claudia L. Rodriguez

Background:

A Software License is a contract between the entity that created and supplied an application, underlying source code, or related product and its end user. The license is a text document designed to protect the intellectual property of the software developer and to limit any claims against them that may arise from its use.

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Henry Rivera

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Cissy Lizarraga

A Software License also provides legally binding definitions for the distribution and use of the software. End-user rights, such as installation, warranties, and liabilities, are also often spelled out in the Software License, including protections of the developer's intellectual property.

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Tommy Gonzalez

Software Licensing costs depend on the number of licenses held during a period. Software companies require periodic license inventories to be performed in order to determine how much to charge for the use of the software (true up process).

An assessment of Adobe, Microsoft Office 365, and Oracle Software Licenses was conducted. Microsoft Windows licenses are granted perpetually with the purchase of each computer. Older versions of Microsoft Office are also granted perpetually until the software reaches the end of life. Therefore, no true up or renewal processes are required for Microsoft Windows or the older versions of Microsoft Office.

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The following table illustrates the City of El Paso’s active users, Software License Agreement dates, costs and the last reconciliation (true up) dates.

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Software License	Active Users *	Software License Agreement Dates	Software License Agreement Costs	Last Reconciliation (True Up) Dates
Adobe	1,149	July 15, 2020 to July 15, 2021	\$100,808.41	7/15/2020
Microsoft Office 365	3,147	December 1, 2018 to September 30, 2021	\$2,489,381.31	8/17/2020
Oracle	PeopleSoft HR: 6,252	September 1, 2019 to August 31, 2022	\$1,052,814.47	9/10/2020
	PeopleSoft Financials: 514			

* Adobe and Microsoft Office 365 active users total is as of 2/2/2021

* Oracle active users total is as of 1/27/2021

Objectives:

The objectives of this assessment were to:

- Determine if a Software Licensing Policy exists for the City of El Paso.
- Verify if a current Inventory Report exists identifying Software Licenses and Users.
- Select a sample of Software Licenses and determine if they are monitored and reconciled regularly.

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Scope:

Fiscal Years 2020 and 2021. Software Licenses for Adobe (Acrobat Pro, Creative and Insight), Microsoft Office 365, and Oracle (PeopleSoft HR and PeopleSoft Financials).

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Results:

Our assessment of Software Licenses identified one (1) Observation. The following is a description of the Observation.

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OBSERVATION 1

Software Licensing Policies and Procedures

City of El Paso Strategic Plan

- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

Best business practices state:

A strong system of internal controls requires that Policies and Procedures are written by management to establish criteria for executing routine or repetitive activities followed by an organization. The development and use of Policies and Procedures are an integral part of a successful quality system as it provides employees with the information and guidance to perform a job properly.

The Department of Information Technology Services (DoITS) currently has an effective Software Licensing monitoring process. However, DoITS has not documented their Software Licensing Policies and Procedures that address:

- Staff roles and responsibilities regarding the acquisition and maintenance of Software Licensing within the City of El Paso.
- Maintaining an inventory of all Software Licenses.
- Compliance requirements of the Software License Agreements.
- Software License monitoring and reconciliation (true up) requirements.

RECOMMENDATION

DoITS should develop written Software Licensing Policies and Procedures that address:

- Staff roles and responsibilities regarding the acquisition and maintenance of Software Licensing within the City of El Paso.
- Maintaining an inventory of all Software Licenses.
- Compliance requirements of the Software License Agreements.
- Software License monitoring and reconciliation (true up) requirements.

Once developed, the Policies and Procedures should be made available to all DoITS staff.

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Conclusion:

The Department of Information Technology Services (DoITS) has developed an effective Software Licensing monitoring process. DoITS is:

- Properly monitoring and reconciling Software Licenses.
- Maintaining current inventory reports which identify the number of Software Licenses and Users.

The Department of Information Technology Services needs to develop written Software Licensing Policies and Procedures for the City of El Paso that address:

- Staff roles and responsibilities regarding the acquisition and maintenance of Software Licensing within the City of El Paso.
- Maintaining an inventory of all Software Licenses.
- Compliance requirements of the Software License Agreements.
- Software License monitoring and reconciliation (true up) requirements.

If you have any questions please feel free to contact me at 212-1365.

cc: Financial Oversight and Audit Committee

Tomas Gonzalez, City Manager

Cary S. Westin, Senior Deputy City Manager of Economic Development & Tourism

Robert Cortinas, Deputy City Manager of Support Services & Chief Financial Officer

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Software Licensing Assessment Review
P2021-01
Management Response



Information Technology Services

MAYOR
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DATE: April 12, 2021

TO: Edmundo S. Calderon, CIA, CGAP, CRMA, Chief Internal Auditor

CITY COUNCIL

FROM: Araceli Guerra, Managing Director for Internal Services *ag*

District 1
Peter Svarzbein

SUBJECT: Software Licensing Assessment – Department Response

District 2
Alexandra Annelo

The Department of Information Technology Services (DoITS) has received and acknowledges the recommendations reviewed during the exit interview. Below is a review and next steps for the DoITS to develop the proposed policies and procedures to be store in the knowledge base (SharePoint).

District 3
Cassandra Hernandez

District 4
Joe Molinar

DoITS will develop written Software Licensing Policies and Procedures to address the following by August 31, 2021:

District 5
Isabel Salcido

District 6
Claudia L. Rodriguez

- Staff roles and responsibilities regarding the acquisition and maintenance of Software Licensing within the City of El Paso.
- Maintaining an inventory of all Software Licenses.
- Compliance requirements of the Software License Agreements.
- Software License monitoring and reconciliation (true up) requirements.

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Tommy Gonzalez

The Policies and Procedures should be made available to all DoITS staff. If you have any questions or need clarification, please feel free to contact me at 915-212-1401.

cc: Tomas Gonzalez, City Manager
Cary S. Westin, Senior Deputy City Manager
Robert Cortinas, Deputy City Manager of Support Services & CFO

Araceli Guerra – Managing Director for Internal Services
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