

The logo for UC Irvine, featuring the text "UCIRVINE" in a large, black, serif font. A vertical line is positioned to the right of the text, separating it from the "INTERNAL AUDIT SERVICES" text.

INTERNAL  
AUDIT SERVICES

# Software Licensing Compliance

*Internal Audit Report No. I2021-106*

August 30, 2022

***Prepared By***

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***Reviewed By***

Larry Wasan, Principal IT Auditor

***Approved By***

Mike Bathke, Director

August 30, 2022

**SARKIS DAGLIAN**  
**DIRECTOR – CLIENT SERVICES**  
**OFFICE OF INFORMATION TECHNOLOGY**

RE: Software Licensing Compliance  
Report No. I2021-106

Internal Audit Services has completed the review of software licensing compliance and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.

Sincerely,



Mike Bathke  
Director

Attachment

C: Audit Committee  
Mike Caban, Manager – Office of Information Technology Help Desk  
Jeremy Paje, Manager – Office of Information Technology Desktop Support Services

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## I. MANAGEMENT SUMMARY

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In accordance with the fiscal year 2020-2021 (FY21) audit plan, Internal Audit Services (IAS) conducted a review of software licensing compliance.

**Software Licensing Policies** - IAS noted adequate procedural controls surrounding the procurement of software, however, there are no specific policies that address software licensing. This observation is discussed in Section V.1.

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## II. BACKGROUND

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Software purchases by UC Irvine departments are estimated to be approximately \$12 million annually through purchase orders, \$9 million through the PALCard, and \$14 thousand through reimbursements<sup>1</sup>. IAS was specifically concerned with whether purchases of software and licenses are being made through appropriate processes, with the result that departments agree to appropriate terms and conditions.

Software purchases for UC Irvine can be conducted through several methods.

Major applications with their terms and conditions for UC-wide use, such as Microsoft and Adobe, are negotiated at the Office of the President (UCOP). Costs associated with these applications are typically shared among the participating campuses.

Local software purchases can occur via submission of a purchase order (PO), with a purchasing card (PALCard), through the Office of Information Technology (OIT), or by individuals with a justified business purpose.

### Purchase Orders

Assuming departments preparing POs for software purchases utilize the correct commodity code, a PO of any amount for the purchase of software will be routed to the Procurement Services' Software Procurement unit. A consolidated listing of active software purchase agreements throughout the campus is currently being created. Software Procurement will negotiate the terms and conditions of the software license based upon standards provided by UCOP. They will mitigate any risk by ensuring proper terms and conditions are being met. They work closely with the campus Information Security group.

### PALCards

When PALCards are utilized for software purchases, the PALCard administrative unit determines whether a software commodity code has been used, and if so, ensures that a software purchase questionnaire is completed. They also work with Software Procurement should any issues arise.

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<sup>1</sup> Spend amounts based on data gathered from July 2020 through October 2021.

### OIT

Purchases through OIT are always made under existing agreements. Proper terms and conditions are ensured as software products are added to the OIT catalog.

### Reimbursements

UCI staff and faculty may also purchase software licenses individually and request reimbursement should their purchase meet allowable purchasing conditions. However, this process is discouraged as it circumvents established purchasing processes.

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## **III. PURPOSE, SCOPE, AND OBJECTIVES**

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The purpose of this review was to evaluate the processes in place regarding software licenses procured by departments, including policies and procedures and monitoring of purchased licenses. The scope included review of various software contracts through sampling of data gathered from July 2020 through October 2021. And for the purposes of this review, UCI Health software purchases were excluded.

The review included the following objectives:

1. Obtain a detailed understanding of the processes and terms and conditions of software contracts and
2. Determine whether controls are in place to prevent software licensing violations.

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## **IV. CONCLUSION**

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In general, the campus appears to comply with software licensing terms and conditions through general practice. Procurement and OIT have established guidelines for departments to procure software while maintaining compliance with the software vendor's terms and conditions and with UC/UCI information security. There appears to be adequate copies of licenses to supply staff and students as necessary. However, there are no policies that specifically address software licensing. Written policies provide direction to help ensure that departments are aware of UC/UCI practices; regulatory awareness, such as U.S. Copyright law; and cybersecurity protections. Violations of software licensing terms and conditions should have consequences and policies to support oversight, management, and compliance.

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## V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

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### 1. Software Licensing Policies

#### Background

UC policies provide guidance, consistency, accountability, and clarity on how campuses operate. They communicate how University business will be conducted. At the local level, campus policies address a specific campus need about what will or will not be done on the UC Irvine campus under certain circumstances. A software licensing policy would protect the end-user by ensuring that the terms and conditions as outlined in the software license agreement are adhered to, that the installed software must have a justifiable business purpose, and that it must be properly licensed.

#### Observation

Currently, there are no UC or UCI policies specifically governing software licensing. At the systemwide level, there are general statements that promote general compliance with the law. The basis for software asset management, including licenses, lies in various UC statements, such as the UC Electronic Communications Policy, Business and Finance Bulletin (BFB) IS-3 Electronic Information Security, and BFB BUS-43 Purchases of Goods and Services; Supply Chain Management. At the local level, there is UCI Administrative Policies and Procedures Sec. 714-18: Computer and Network Use Policy. And while it cites “violating terms of applicable software licensing agreements” as an example of misuse, it does not identify the overarching responsibility of end-users by treating software application licenses as an asset that should be tracked, managed, and whose terms and conditions are to be complied with.

#### Management Action Plan

As we are a decentralized campus, OIT does not have the authority or ability to monitor what software is installed on machines not under its management. Most of the products we license require license files that automatically expire annually, making it easier for customers to know when to renew and maintain compliance. For those products that do not have files that automatically expire, we will have documented procedures in our internal wiki to remind users and departments when the annual renewal “season” approaches and to revoke licenses if users do not renew. For those that we do manage, the OIT Desktop Support Services (DSS) team will be implementing an application to track all software assets on DSS-managed machines.

**Due Date:** 05/31/23