

# Your SOS Survival Guide for Software Audits



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Produced by FAST Ltd.

A Leading UK Authority in Software Asset Management & IT Compliance.

# Your SOS Survival Guide for Software Audits

Facing a software audit? Received an unwanted letter from one of your software suppliers? Need some good advice? This SOS Survival Guide explains what you should do now to protect your organisation – and suggests ways of avoiding future audits.

Around 60% of UK organisations are under-licenced and 40% are over-licenced. Whichever side of that equation you are on, when organisations are demanding certainty in expense control, and want no nasty licensing surprises, effective software asset management (SAM) is the solution.

Treat this guide as your audit survival kit. Adopt its conclusions and keep it handy – you never know when you might need it.

If in doubt, call our FAST Ltd emergency helpline.



**0844 815 5678**

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# Facing an Audit



## First things first

So you've received an audit letter from a software vendor or a consultancy, what should you do now?

## The facts

- *You've received a letter out of the blue from a software vendor or a consultancy which calls into question your licence compliance*
- *It may have gone to another part of the organisation and comes to you belatedly second-hand. It doesn't matter, the clock will still be ticking from the date the letter was sent and you are going to have to deal with the fallout from the letter - and quickly.*

## Take action now

- *Inform your executive management about the letter straight away*
- *Tell your Legal department too - and your Head of IT*
- *The onus is on you to prove you are properly licensed and can validate licence compliance.*

So the quicker you get a plan of action together, the more ready you'll be to start proving your compliance

- *One of the first problems that an organisation may find when it receives a compliance request is trying to understand to whom the letter was sent and on what terms it was issued*
- *Initial contact may be in the form of an audit questionnaire, or it could be a letter headed, "Just 15 days to ensure that your company is NOT using illegal software".*

## Example of a typical letter

"You may recall that we wrote to you on *(insert date)* asking you to check to see if all your company's software is properly licensed. This is a one-off opportunity for you to review your company's software (including operating systems, applications and fonts) to ensure that it is fully licensed, so you can protect your business from the consequences of software piracy."

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## On the Paper Trail

Once one software publisher is in touch with a company about an audit, there is a reasonable prospect that other vendors in learning about the audit may follow the same course.

Your immediate response should be to take action ASAP. If you are in receipt of such an audit letter, you should:

1. *Acknowledge receipt*
2. *Speak to your legal team or supportive organisations – such as FAST Ltd - and then*
3. *Look at how you can go about proving your state of compliance.*

In writing back to your software publisher, you should be helpful and amenable – but firm – saying you are happy to see them regarding their request, while asking for answers to some of the following questions:

- *What applications or versions (e.g. Standard or Pro) is the publisher looking for?*
- *What access will they need? And how will the audit be conducted?*
- *Will they conduct a manual walk round audit? Who will conduct the audit?*
- *What resources/amount of your time will the audit take?*

Remember that vendors need proof of entitlement/rights to use for software such as a paid, detailed invoice (publisher, application, version) which provides a number of easily cross referenceable items e.g. invoice number, purchase order, payment number etc. In the absence of these it is worth looking at your maintenance contracts which may give proof of entitlement.

### These are examples of the type of things you could produce as proof of entitlement

#### **Full-Packaged Products:**

For Full Packaged Products, you should be able to produce:

- *All physical media supplied when you bought the software, such as the CD-ROM and the accompanying paper documents*
- *The End - User Licence Agreement (EULA), if supplied as a hard copy*
- *The Certificate of Authenticity (COA) from the box*
- *Your invoice, which should list the software title and full details of what was supplied, as well as the stock-keeping unit number.*

#### **Pre-Installed Software:**

For pre-installed software (OEM licences), you'll need:

- *The paper documents*
- *The End - User Licence Agreement (EULA), if supplied on paper*
- *The Certificate of Authenticity (COA) on the PC chassis, OR the manual covers, OR the original CDs (or their accompanying documents), OR as separate COA documents*
- *Your invoice, which should list the software title and full details of what was supplied, and the stock-keeping unit number.*

#### **Volume Software:**

For volume licences, the following will be necessary:

- *The licence agreement or the licence confirmation document*
- *Your original invoice, with details of what software you ordered.*



# 3 Mergers & Acquisitions

Do not ever assume that licensing will be 'OK' in the result of any M&A activity. One acquired company found to its shock that a clause in its software licence determined that it must pay £200,000 to continue to use the software licence.

Consider the bigger picture. If your company has merged or been taken over with a subsequent name change, assume it will affect your licensing terms and take steps to prove otherwise. That means:

- *Talking to your legal advisers*
- *Checking your documentation*
- *Organisations should always check their licence agreements to see that they will allow novation, i.e. the substitution of an original party to a contract with a new party, or substitution of an original contract with a new contract.*

## Is your licensing documentation safe?

*Consider, the intelligence for determining a software audit against your company could well come from a member of staff that you recently let go.*

- *Is your documentation under lock and key and being stored offsite?*
- *Who has access to it? Can it be controlled?*

*And if you still can't find it, think back to your last office relocation. People relocating offices throw away their valuable information. Much of that information could be just what you need to prove your compliance.*

# 4 The BSA View

## What the Business Software Alliance advises

"We encourage all software users to implement software asset management (SAM) programs. A well implemented SAM program will let organisations of all sizes know what they have on their systems and can ensure they only install what they have licenses for.

Auditing software assets should not be an activity that businesses only undertake when required. By managing their software on an ongoing basis, companies can not only make sure that they do not transgress the terms of their licenses, but also manage their software estate more efficiently and do not pay for licenses they do not need."

**Julian Swan**, *Director, Compliance Marketing EMEA*  
**Business Software Alliance**



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# 5 *Licensing and Technology Brief*

Software licensing is confusing. The landscape has become even more complicated with new payment methods and new technologies such as Virtualisation, Cloud Computing and Software as a Service (SaaS).

## **Volume Licensing**

Simply stated, volume licensing of software makes it easier and more affordable to run software on multiple computers within a single purchasing organisation. Purchasing in volume can reduce cost and improve purchasing and software management.

## **Enterprise Agreement**

An Enterprise Agreement can help organisations minimise the complexity and cost of meeting their software needs. With an Enterprise Agreement, IT infrastructures can adapt and grow with organisations' evolving needs.

## **Virtualisation**

Licensing models are traditionally hardware oriented. But with virtualisation the hardware relationship is lost. Organisations should examine the licence conditions of manufacturers affected by their virtualisation program, and renegotiate terms. Licensing

mistakes can lead to costs which exceed the savings in hardware expenses.

## **Cloud Computing**

Cloud computing can broadly be defined as a computing technology that relies on off-premise central servers for the delivery and maintenance of applications. Through cloud computing, the hardware and software that businesses use are centralised and accessed over the Internet. But licensing still needs to be addressed.

## **Software-as-a-Service (SaaS)**

Software as a Service (SaaS) is a facet of cloud computing where a software application is hosted as a service and accessed by customers through the Internet. Through SaaS, you may not need to worry about the licensing and payment for the use of software as it is through your subscription. However you should always ensure that your service provider is authorised to provide the service, and that requisite SLAs are in place to ensure continuity of service.

For longer definitions of these terms and more details around the topic, visit [www.fast-compliance.co.uk](http://www.fast-compliance.co.uk)



# *Taking the Proactive Route*

You could take a chance and hope that a software audit won't come your way. But make no mistake, a software audit for which an organisation is unprepared will create havoc and be costly.

Think it can't happen to you? Think again.

## **Follow this advice:**

- *Don't get into bad habits: organisations who fail to keep on top of their software assets often find themselves paying time and time again for software licences they didn't need to buy.*
- *The smart way of avoiding a software audit is to implement effective software asset management (SAM). The problem is that many organisations still have only a basic understanding of their IT estate.*
- *SAM should be steering group or committee-led with the participation of business managers and directors. That means following the money by identifying financial savings from eliminating redundant licences or software that you don't really need. For example, how many software licences for employees who may have left the company have been recycled or 'banked' for future use?*

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# *CIOs' Top Tips*

Chief Information Officers from over 20 large businesses met with the Corporate IT Forum to share their experiences. These are their tips to manage licence audits:\*

- *Centralise all audit requests and set up a SAM team to handle all requests*
- *Realise that there are few quick wins when it comes to software recognition tools*
- *There is no short cut to fully understanding each vendor's licence model*
- *Always challenge a vendor's 'right to audit' and explain your process (assuming it is robust) as this can deter requests*
- *Challenge the assumptions a supplier makes about your IT estate*
- *Don't release information unless it comes through the SAM team first*
- *Treat a software audit with the same rigour as a financial audit*
- *Do not give auditors first-hand access to data - produce data yourself and supply to them*
- *Calculate worst case scenario spreadsheets prior to an audit request*
- *Remember that whilst suppliers often understand their current licensing model, they are often less sure about older ones.*

\*Source: Corporate IT Forum Verbatim Blog



**Matt Barnes**  
Operations Director, FAST Ltd

With economic times still uncertain, the receipt of an exploratory letter from one of your software suppliers can be a worrying development.

This SOS Survival Guide will have given you an idea of the actions organisations need to take when facing the prospect of a software audit. I hope that you haven't received any correspondence from a software vendor that questions your licence compliance, but if you have, remember that once you've received the letter, the clock will be ticking. So the quicker you get an action plan together, the more ready you'll be to prove your compliance.

Remember, the most effective means of avoiding any software audit is to implement effective software asset management (SAM). The reason organisations find themselves in receipt of an audit letter problem is that they have failed to fully understand the extent of their software estate, have not practised effective software asset management and so do not know what surprises their estate may hold in store.

If you still need some good advice, call our FAST Ltd emergency helpline. The number is **0844 815 5678** - and we're here to help.

**What our customers say:**



"One of the main benefits we see in embarking on the FAST Programme relates to cost avoidance, which right now is probably a key driver for many organisations. We are reasonably sure that we are in fact over-licensed, however I couldn't say by how much exactly. So getting a better handle on asset management and

in particular licence management is critically important and will be a great help in cutting costs now and in the future."

*West Sussex County Council*



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