

**Why Software Vendors Audit Customers  
(& what to do when you receive an audit request)**

License Dashboard White Paper  
SECOND EDITION

## Table of Contents

1. Executive Summary.....	3
2. Introduction – the history behind software audits.....	4
2.1 A legitimate right .....	4
2.2 Compliance versus SAM.....	4
2.3 Be Prepared.....	5
3. Why do software vendors audit end users? .....	6
3.1 How do vendors decide who to audit? .....	7
3.1.1 Inconsistency in purchasing .....	7
3.1.2 Poor history of compliance .....	7
3.1.3 Organization size.....	8
3.1.4 Failing to complete a Self-Assessment / Funded engagement.....	8
4. How to make your organization a less attractive target.....	8
4.1 Use volume licensing agreements where appropriate.....	8
4.2 Improve record-keeping and centralize contracts.....	8
4.3 Define and document policies on software – who gets what .....	9
4.4 Define and deploy standard software builds.....	9
4.5 Deploy an inventory solution to accurately monitor deployments.....	9
4.6 Record licenses centrally and reconcile against usage .....	10
4.7 Prepare ELP statements on a regular basis.....	10
4.8 Negotiate audit clauses in license contracts – 60 days written notice.....	11
5. Dealing with an audit request.....	11
5.1 Acknowledge the audit request.....	11
5.2 Assign a team and establish a single point of contact for the vendor / auditor.....	11
5.3 Insist that a confidentiality agreement be signed .....	11
5.4 Propose a timeline .....	12
5.5 Start gathering data!.....	12
5.6 Collate your software licenses .....	12
5.7 Reconcile your software deployments against licenses .....	13
5.9 Get the magnifying glass out! .....	14
6. Presenting the Effective Licensing Position (ELP) to the vendor .....	15
7. Moving forwards.....	15
8. Summary .....	16
9. About License Dashboard .....	16
9.1 Next Steps.....	17

## 1. Executive Summary

According to industry analysts such as Gartner and Forrester, your organization is now more likely than ever to receive a license audit request from at least one software vendor this year. In its latest research, Gartner states the chance of being audited is now as high as 65 per cent. Worse still, with more and more vendors increasing the scope and frequency of their software audits, you might even be lucky to get only one request in the next 12 months.

Being audited is perhaps the ugly face of a two-sided coin and compliance is a thorny issue which many organizations shy away from until it is too late (and often too expensive). But on the other side of that same coin is the equally important issue of wasting precious IT budgets on unnecessary software expenditure. Research conducted by License Dashboard found that organizations without a Software Asset Management (SAM) strategy typically over-spend on software licenses and contracts by around 20 per cent. That's money that could be put to much better use funding new initiatives or benefiting other areas of IT operations.

This second-edition guide from software licensing and Software Asset Management tools vendor, License Dashboard, will help you understand why software audits happen, how vendors target organizations, how to become a less attractive target and how to react quickly if an audit demand is received.

### Key Points at-a-glance:

- According to Gartner your organization has a 65% chance of being audited this year
- More vendors than ever now have active audit programs
- Audits tie-up resources, cause disruption and are costly (up to \$500,000 at a time)
  
- Software vendors use audits as a legitimate revenue generator
- Around \$59bn of software in use global is not licensed
- Inconsistent purchasing or record-keeping is a prime trigger for audits
  
- Organizations need to improve the collection and centralization of data
- Inventory solutions should be used to track software installs and usage
- License Management solutions are invaluable to tracking entitlements
  
- Audit requests need to be taken seriously and acknowledged
- Teams need access to good quality data and technology solutions
- Creating an Effective Licensing Position is not a one-time exercise
- Persisting with good license management will reduce chances of further audits

## 2. Introduction – the history behind software audits

Despite commercial software having been available for more than three decades, there is still a common mis-understanding that software is bought and therefore becomes the property of the purchaser to do with as they wish. In fact, software is rarely ‘purchased’ in this way, but is more accurately ‘licensed’. In effect, the purchaser buys the right to use the software strictly in accordance with terms and conditions as laid out by the software publisher.

Remember that annoying screen that you quickly scroll through when installing a new application? That’s your license; and in it are all sorts of terms and conditions that lay out exactly how you can – and can’t – use the software. You might recognise this as the End User License Agreement, or EULA. One of the key clauses in many EULAs grants the software publisher (or its agents) the right to check how you are actually using the software, and impose penalties if you are found to be out of compliance (typically by using a greater number of instances on the network than you are entitled to).

For as long as there has been commercial software, there have been EULAs. And for as long as there have been EULAs, there have been software vendors concerned about whether end users were abusing the licensing rights granted to them. This inevitably led to software vendors exercising the right outlined above to start calling on their customers and demanding (with varying degrees of firmness) to review whether the customer was in line with the entitlements they had purchased. Thus was born the concept of the ‘software audit’.

### 2.1 A legitimate right

As end users, we might not like the fact that a third party has the right to invade our space (or indeed networks) and perform an audit at will, but this is an entirely legitimate business practice on the part of software vendors looking to protect both their intellectual property and revenue lines. The primary purpose of the audit is simply to check that things are as they should be or, as we shall see later, to confirm the vendor’s suspicions that all is not as it should be!

Some vendors will seek to exercise this audit right themselves, backed by the prevailing legal system in the local region. Some vendors are members of third-party ‘watchdogs’ such as the Business Software Alliance (BSA), which has the authority to act on their behalf. Arguably, in many cases the BSA is now used by its member vendors (see [www.bsa.org](http://www.bsa.org) for a full list of vendor members) to pursue a more aggressive agenda, while the vendor takes a softer-touch approach.

### 2.2 Compliance versus SAM

Over recent years, software vendors like Microsoft and Symantec have switched from talking about compliance to focusing on Software Asset Management (SAM). While some people still have a tendency to see them as the same thing, there are actually some crucial differences between pure compliance and a mature approach to SAM.

SAM in its entirety concerns the full lifecycle of software in the organization, from request to procurement, licensing through to deployment, monitoring usage to re-harvesting. It’s about making the whole software lifecycle as cost-effective as possible – reducing expenditure, administrative overhead and ensuring that IT is meeting business needs.

Compliance, on the other hand, is 100 per cent focused on managing risk. The number one question to be asked is “Am I using software in line with my legal obligations?”. If not, you have a compliance risk which needs to be addressed.

That’s not to say that SAM and compliance are mutually exclusive; far from it. Indeed, while this white paper focuses primarily on compliance, it will also show how information critical to an organization’s compliance goals can also be used to achieve SAM benefits.

#### **Microsoft-funded SAM services**

In recent years, Microsoft has launched a number of initiatives designed to help organizations take control of their licensing situation and understand better the foundations of good Software Asset Management practices. As a Microsoft Gold Partner for SAM, License Dashboard is authorized to offer eligible Microsoft customers ‘free’ software license baselines, SAM assessments and trial deployments of the Microsoft SCCM and Intune inventory technologies.

These Microsoft-funded services are an excellent way for organizations to get free access to SAM expertise and arguably demonstrate an organization’s willingness to take charge of its licensing situation. However, there are conditions associated with these projects and it is important the organization understands both the benefits and obligations of receiving support from Microsoft.

To learn more about funded SAM services, contact License Dashboard today.

### **2.3 Be Prepared**

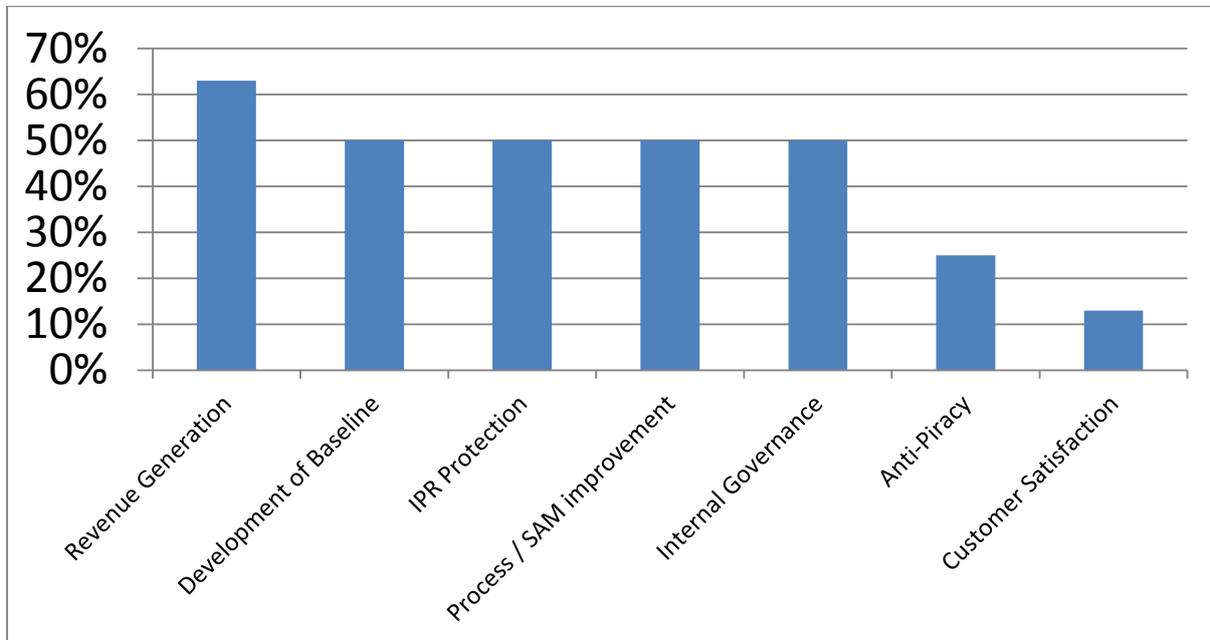
It’s not just scouts that need to be prepared. Research undertaken by Gartner has shown that organizations that have invested in software audit and license management solutions in advance typically spend much less time and money responding to a vendor audit when it arrives.

In its research, Gartner cites an organization where being unprepared for a software audit ultimately cost the business over US \$500,000 – and that was before any software true-up! The simple fact is that responding to a vendor’s audit request causes disruption and expense: IT teams that are diverted away from their day jobs; tools that need to be purchased and/or deployed in a hurry; end users that might be restricted access to IT resources; legal representation that needs to be drafted in to negotiate with vendors... the list goes on.

Far better then to address any exposure *before* an audit is on the horizon, choose how and when to address any shortfalls and learn the tricks to make yourself a much less attractive target for future audits.

### 3. Why do software vendors audit end users?

Selling software is a commercial business. Those publishers that rely on license revenues to fund their continued operations naturally have a strong inclination to ensure they are maximizing their revenues (especially at a time when IT budgets are constrained and new software expenditure is reduced).



\* Source: Ernst & Young, Compliance without Tears, 2011

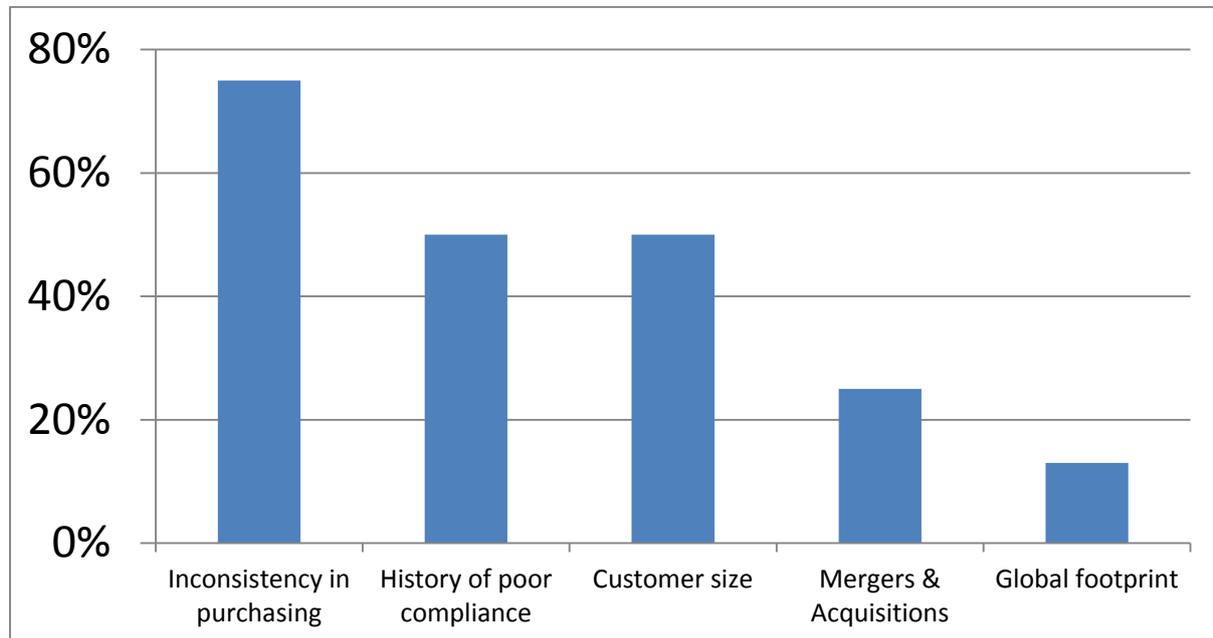
Research undertaken by Ernst & Young in 2011 confirms this, with over 60% of software vendors questioned saying they audited as one method of generating additional revenues. This should come as no surprise when figures released annually by the Business Software Alliance (BSA) suggest that globally around US \$59 billion of software is used illegally (i.e. without a license). In key markets, the claimed piracy rates are still considerable: US 20%, UK 27%, Australia 24%.

After revenue generation, software vendors are also concerned about protecting their intellectual property, promoting the awareness and adoption of SAM and also developing a baseline of what their customers are using. Yes, that's right, they often don't know! Thanks to the diverse nature of how organizations can purchase their software – via resellers or direct from publishers, off-the-shelf or through volume licensing – many publishers simply do not know what a customer organization is currently entitled to use. In these instances, performing an audit can actually help the vendor better establish what license entitlements the customer actually owns.

So, when a vendor audits an organization, it should not be viewed as malicious or vindictive. It's because the vendor either believes it may be missing revenues it is legitimately owed, or simply doesn't feel confident that it knows what the customer is actually entitled to.

### 3.1 How do vendors decide who to audit?

For most software vendors, there is a fairly simple set of criteria that determines which organizations receive an audit request.



\* Source: Ernst & Young, Compliance without Tears, 2011

Turning again to the research conducted last year by Ernst & Young, it is clear that there are three main factors determining an organization’s likelihood of receiving an audit request: purchasing history, poor compliance record and organization size.

So why are these factors important to a software vendor?

#### 3.1.1 Inconsistency in purchasing

Given all the ways outlined above that an organization can purchase software, it is hardly surprising that vendors might perceive some level of inconsistency in purchasing – after all, you might buy direct one time, through a reseller another or top up with off-the-shelf software. You might also buy tens of thousands of dollars/pounds’ worth of software one month and then nothing for the next eight months. An organization that typically buys off a volume licensing scheme designed for high-volume transactions suddenly switching to much smaller volumes can also arouse suspicion.

All of this can suggest to the vendor that you have no coherent strategy for software procurement, and that in turn suggests you have little or no control over who is using what software on the network (whether this assumption is right or wrong is secondary, it’s the perception that is key).

#### 3.1.2 Poor history of compliance

If an organization gets audited once and turns out to be in a poor state of compliance, it is hardly surprising that the vendor in question may want to revisit that same organization again in the future. While many vendors make efforts to help customers ‘learn’ from the audit experience – advising them on ways to better manage licenses etc. in the future – those same vendors will also err on the side of caution when it comes to believing whether the customer will, or won’t, continue with the prescribed best practices after the audit.

### 3.1.3 Organization size

It makes simple commercial sense for vendors to typically audit those customers where they feel there is a reasonable financial gain to be made. As such, organizations with less than 250 PCs and servers on their network might not normally expect to receive an audit request directly from a software vendor (SMEs cannot relax, however, as they are often targeted by third-party licensing watchdogs such as the Business Software Alliance!).

Changes in organizations size can also trigger an audit, especially where a vendor perceives there to be rapid expansion in IT kit or employees – historically a time when many organizations fail to keep up with software licensing.

### 3.1.4 Failing to complete a Self-Assessment / Funded engagement

Having mentioned in section 2.2 that vendors such as Microsoft are now offering funded license reviews and SAM assessments, it's worth noting that organizations who either decline to take part in one of these engagements, or worse fail to complete a review once started must be seen as more likely to receive some form of follow-up action. It's easy to see why – a reluctance to engage with a vendor, or failing to complete the process can only raise suspicions that the organization has something to hide and is therefore a prime candidate for further investigation!

## 4. How to make your organization a less attractive target

Having explored some of the factors considered when vendors decide which organizations to approach for a software audit, how then can you take steps to be a less attractive target?

The measures described below will help you both avoid arousing suspicion with vendors while also equipping you with the tools to start proactively managing software and realizing tangible savings.

### 4.1 Use volume licensing agreements where appropriate

Volume licensing is not only a convenient way to purchase reasonable quantities of software from a single vendor, often at discounted rates, but it is also a good way to give that vendor a good understanding of what you've actually purchased. As has been discussed earlier, when software is procured through a variety of routes (direct, through a reseller, off-the-shelf etc.), it can be easy for the vendor to lose track of this, leading it to make ill-informed assumptions about you may, or may not, have purchased.

Many volume licensing agreements include a periodic 'true-up' where usage is reviewed and the agreement charge is amended accordingly. This again gives the vendor comfort that the customer is not accidentally or wilfully abusing licensing conditions.

### 4.2 Improve record-keeping and centralize contracts

For most organizations, their software estate has grown organically over many years, with different departments, business units, or even individuals managing their own procurement needs. Almost without exception this leads to record-keeping chaos. While the most obvious repercussion of this lack of centralized records is a mad rush to raid filing cabinets, dig up old emails and scour ERP or financial systems when an audit request comes in, there is actually a wealth of good reasons why organizations should not wait for an audit before getting their paper trails in order.

One obvious example is the case of software upgrades – often a cheaper route to the latest software versions. But organizations are only entitled to take these offers if they can prove an original entitlement to the ‘base’ software. Where records cannot be located, the organization will have little alternative but to pay full price for any version upgrades.

If nothing else, organizations could at least start by collating their software entitlements into a spread sheet or finance software. But not surprisingly, these are not ideally suited to managing the particular needs of software licenses – so a better alternative is to invest in a dedicated software licensing solution with an integrated repository into which all licenses can be recorded. Better still, the licensing solution should be quick to populate (ideally with multiple ‘bulk import’ options) and offer some level of automated validation of licensing entitlements.

### **4.3 Define and document policies on software – who gets what**

Managing software and licenses will never been an entirely automated task, it requires a careful blend of people, processes and technologies. One element that cannot be easily automated (although the ongoing management of them can be) is the establishment of robust and commercially-feasible policies for the procurement and provisioning of software licenses to end users.

Defining and then enforcing these policies helps the organization guard against unnecessary software purchases, makes it clear who is entitled to what applications, which version are ‘standard issue’ and more. The policy should also document the required approvals process (this workflow can be automated with solutions such as License Dashboard’s SAM Portal – See Section 9 for more information) and the approved procurement process for new licenses.

From an audit point of view, being able to present a vendor or licensing watchdog with a documented policy on software procurement demonstrates clearly that your organization is taking licensing seriously and thus is less likely to have unlicensed applications deployed on the network.

### **4.4 Define and deploy standard software builds**

By standardising on the applications deployed across the network, organizations typically find they have far fewer discrepancies when it comes to an audit.

There are also numerous additional benefits to be had from standardization, including reduced support overheads, less calls to the help desk and reduced need for user training.

### **4.5 Deploy an inventory solution to accurately monitor deployments**

Actively tracking what software is deployed on the network is a critical component of any licensing or Software Asset Management program. There are no shortage of inventory (sometimes called ‘audit’, ‘discovery’ or ‘autodiscovery’) solutions on the market, with different strengths and weaknesses.

In general, most audit solutions will do a reasonably good job of auditing the Windows PCs that they are pointed at. However, some solutions are better than others when it comes to automatically ‘sensing’ new PCs on the networks, and only a select few do a good job of auditing non-Windows platforms such as Macs and Unix or Linux.

Larger organizations typically acquire an inventory solution through an investment in an IT Asset Management platform or as part of a wider volume licensing agreement (as per Microsoft with SCCM). It is not unusual, however, for these solutions to be supplemented with other specialist tools.

For organizations that don't already have a software inventory solution, there are a number of effective point solutions available, not least the License Dashboard Discovery solution (see Section 9).

Ideally an inventory solution should be able to audit both EXE (executable files) and MSI (Microsoft Installer) information in order to provide the best software recognition results. A word of warning, however; a lot of inventory tools produce a LOT of information, much of it is noise that is not relevant (and can actually be distracting) to the license management process.

As such, organizations should consider paring the discovery tools with a license management solution that offers the ability to cleanse and filter the raw audit information, presenting the user with a concise report of all verified software installs, minus all the noise.

#### **4.6 Record licenses centrally and reconcile against usage**

If you consider the advice given in 4.2 (centralize software entitlement records) and 4.5 (create an inventory of software deployments), the next natural step is to reconcile these two data sources to produce what is known as an Effective Licensing Position (ELP).

Historically, this reconciliation has been a long and tedious task best left to dedicated software licensing professionals. This made it slow, error-prone and expensive!

Today, solutions are available that help automate parts of the reconciliation process, applying built-in licensing knowledge and intelligence to put the organization in the most advantageous licensing position possible. Solutions like License Manager from License Dashboard use comprehensive dictionaries (License Manager support over 9,000 software vendors, 50,000 software titles and recognises nearly 500,000 EXE and MSI files, for example) and suite recognition rules to automatically identify the exact software installed and match this against the most appropriate license entitlement held in the repository. A good license management solution will automatically process and allocate upgrade licenses, calculate downgrade rights and know when license entitlements can be used to cover more than one product or physical install.

At the end of the process, the license management solution should be able to instantly produce the ELP, showing exactly where the organization is accurately licensed, where licenses are under-used, and where too much software has been deployed. Ideally the ELP should be a format that can be submitted directly to a vendor or watchdog.

#### **4.7 Prepare ELP statements on a regular basis**

It is important to view software inventories and licensing reconciliations not as one-off exercises but an ongoing program. After all, you wouldn't blame a vendor for not wanting to accept a presented ELP that was more than six months out of date?

The actual frequency of ELP preparation varies depending on organization size, geographies etc. Many larger organizations work in a cyclical fashion, concentrating on different departments or locations at any one time, then revisiting them 3-6 months down the line.

#### **4.8 Negotiate audit clauses in license contracts – 60 days written notice**

For organizations investing in volume licensing agreements, it is a good idea to check the clauses on software audits. Where the terms may not be considered favourable to the end user you can try to negotiate a position that gives you 60 days' notice of any audit request. With a SAM solution in place, this breathing space should be more than sufficient to give you time to collate the relevant reports, check that audit baselines are up to date and deal with any potential reconciliation discrepancies before having to present an ELP to the vendor.

### **5. Dealing with an audit request**

So let's assume your organization receives an audit request from a well-established vendor with a mature audit / compliance function. What is the most effective way with dealing with the situation and how can you minimize both disruption and cost?

#### **5.1 Acknowledge the audit request**

It may sound obvious, but a common mistake made by many organizations is to ignore an audit request in the vain hope it will go away. In fact, the reverse normally happens and you risk the auditing vendor becoming increasingly aggressive and hostile the longer you delay in responding to an audit request.

If the audit request is verbal or via email, request it be sent formally in writing. This should outline precisely what is being audited, what information is required from you and how the information will be used by the vendor.

Assuming a written request is received, the first step should be to acknowledge it and propose a timescale and project plan for responding to it, based on the advice below.

#### **5.2 Assign a team and establish a single point of contact for the vendor / auditor**

It is important to clearly define exactly who needs to be involved in responding to the audit request and what is required of them. A project team will typically comprise representatives from the IT operations, asset management (if you have one), procurement/financial and legal teams. You may also need to consider drafting-in external resources to help with the more complex tasks around applying licenses and reconciling these against software usage.

One person should be appointed the primary contact for the vendor's audit team, so that all communication, requests and information goes through a central point of control.

#### **5.3 Insist that a confidentiality agreement be signed**

You should always insist the auditing vendor signs a confidentiality agreement which makes it responsible for the safe-guarding of any data you send (or it takes) from your network. You may also want to consider pushing for an agreement that keeps any result of the audit out of the media –

although a vendor is unlikely to agree to this if you have procrastinated in responding to the initial audit request.

## 5.4 Propose a timeline

Rather than either stalling as long as possible or waiting for the vendor to demand data be delivered by certain dates, it is better to form your own project plan and approach the vendor with a timescale proposal. This not only shows the vendor that you are taking the audit request seriously, but it also helps put you in control of the audit process.

The timeline should be a careful balance between aggressive and realistic. An aggressive timeline may sound counter-intuitive, but is often the best way to ensure that deadlines are not missed and that team members remain focused on the task at hand.

## 5.5 Start gathering data!

Many organizations will already have an audit solution in place, so gathering software audit information should be routine already. For those that don't, or whose tool is poorly-configured, they need to act quickly to start collecting data on all software deployed across the estate.

Tools range from quick-fire Windows PC and Server auditing solutions like License Dashboard Discovery to more comprehensive, but slow-to-deploy solutions like Microsoft's SCCM or Centrix WorkSpaceIQ. Many tools have differing capabilities, so it is important to choose the right one for your exact needs and environment.

## 5.6 Collate your software licenses

In an ideal world, you would already have all your license entitlements centralised into a license repository such as the one included in License Dashboard's License Manager solution. However, most organizations are in a far less ideal situation with what might be at best described as more chaotic approach to keeping their licenses.

As software is purchased through many routes over many years, keeping track of exactly what has been purchased can be challenging. However, creating a central license repository is a critical requirement of responding to an audit.

While the task of searching for licenses will inevitably include some manual labor; solutions like License Manager from License Dashboard can dramatically accelerate both the process of collating license entitlements and 'understanding' them.

Ideally, you should look for a solution that offers multiple ways to import license entitlements. One of the fastest ways to upload large amounts of data is to directly import what is commonly-referred to as 'vendor consumption data' – such as the Microsoft Licensing Statement (MLS). A second option should provide the ability to input individual licenses, completely with all the appropriate license metrics, procurement information and links to proofs of purchase.

Where vendor consumption data or proofs of purchase cannot be located, some license management service and tool providers do provide a final option which takes 'sub-standard' licensing information, such as procurement records or reseller invoices, and reverse engineers these into effective license entitlements by automatically or manually completing missing information.

Whatever method is adopted, it is important to understand the benefits of a dedicated license management solution over something simpler like a spread sheet. Put simply, you can't easily reconcile licenses against entitlements on a spread sheet!

## 5.7 Reconcile your software deployments against licenses

Now comes the really hard part, comparing the results of your software audit against the license entitlements that have been collated. And this is where the shortcomings of using a non-dedicated solution like a spread sheet, or even most IT Asset Management solutions, will become all-too clear.

Put simply, trying to reconcile licenses against software usage manually is a mammoth task, likely to take months if not years to achieve. That's because licensing is inherently complex, with different licenses having varying usage rights, upgrades and downgrades need to be applied in particular ways for different applications and versions, and some licenses can cover more than one application or installation. Trying to juggle all of these different rules and rights is nigh-on impossible.

Unfortunately, the vast majority of IT Asset Management (ITAM) solutions are little better, since they are rarely designed with licensing in mind – it is, at best, an after-thought. Most ITAM solutions can't automatically apply suite licensing, downgrades or multi-product licensing.

A good dedicated license management solution, on the other hand, should be able to handle these scenarios and apply licenses 'intelligently'. Of course, not all license management solution are created equal and you should take care to fully investigate both the in-built intelligence and flexibility offered by any solution.

## 5.8 Tidy up the network!

The experience of over 800 software audits conducted by License Dashboard has shown that the initial reconciliation never presents a perfect match between software installations and usage rights. The simple fact is that almost every organization is over-licensed on around 20 per cent of deployed applications and similarly under-licensed on another 20 per cent.

Where more licenses are held than installations audited, organizations should use this intelligence to reconsider future software purchases as well as check they are not about to pay too much for support contract renewals.

Where the initial reconciliation suggests more applications are installed than licenses held, it is well worth performing some additional due diligence to check this situation cannot be improved. One obvious way to do this is to check software metering information to identify applications that have been installed on machines, but are not actively being used.

The provision of software metering information is the responsibility of the audit solution. Some audit solutions (such as License Dashboard Discovery, Microsoft SCCM and others) are able to track how many times applications are accessed. Where it is available, this information should be consulted to identify unused software applications (some tools like License Dashboard License Manager enable this information to be imported and graphically reported in the license management interface). Where an application has not been used for, say, three months (or 90 days), there is an argument that says it should be removed from the machine\*.

*\* Some vendors' licensing agreements state that if an application is ever installed on a PC, it has to consume a license. You should consult a qualified licensing consultant if in doubt.*

By 'cleaning up' unused applications, you can dramatically alter the licensing situation, creating a more favourable position.

## 5.9 Get the magnifying glass out!

Just as under-licensing might be improved by removing unused applications from machines, it is also likely that you may actually own more licenses than your initial import suggests. This is where many organisations will benefit from working with a specialist license management vendor or services provider to help investigate any apparent shortfalls. Some vendors, like License Dashboard, can even offer services to determine legal usage rights from information not normally considered adequate for licensing purposes, such as procurement records or reseller invoices.

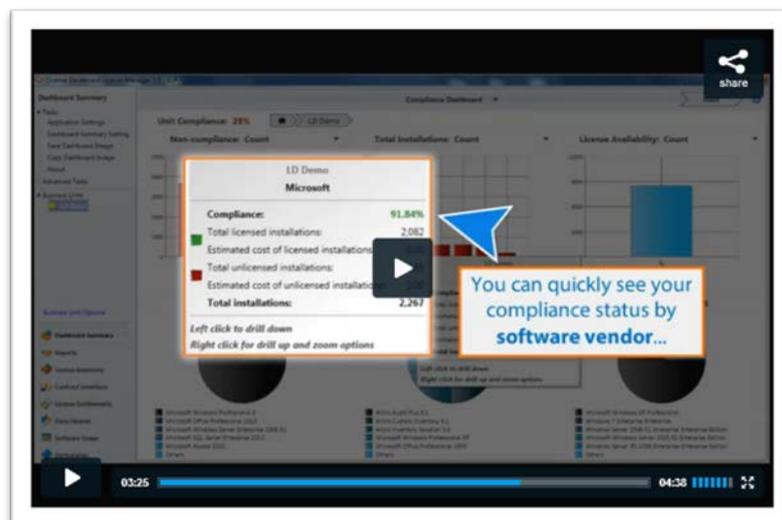
It is worth prioritising efforts on high value licenses, where a little investigative work could save significant sums against potential true-up costs.

It will likely take a couple of reconciliations before you reach an Effective Licensing Position (ELP) you are happy to share back with the vendor; but providing this is scheduled and performed promptly there will be time for fine-tuning before running up against any deadlines.

### Automation, Automation, Automation!

If all of the steps above seem too much like hard work, that's because they are. At least, they are if you try to do everything manually or using technologies like spread sheets that are simply not fit for purpose. For organizations with more than 200 PCs and servers on the network, automated tools are a must. But not all tools are created equal – solutions that automate the process of importing entitlement records (such as the Microsoft Licensing Statement), identify additional usage rights and perform an intelligent reconciliation will save much more time than those that simply provide an aggregated repository of entitlements which still need to be manually assigned to installed applications. The key to responding quickly to an audit request is to minimizing the workload placed on staff or consultants by applying automated intelligence to as much of the process as possible.

To see how License Dashboard's solutions add intelligence *and* speed to the process of creating an Effective Licensing Position (ELP) [watch this short video](#):



## 6. Presenting the Effective Licensing Position (ELP) to the vendor

Depending on which vendor or third party is conducting the audit, they may require the ELP information to be presented in a very particular format. In this case, the choice of solution used to create the document will play an important part in just how much manual labor goes into it.

Solutions like License Dashboard License Manager, for example, feature a pre-defined ELP report for Microsoft and other vendors. This automatically takes the reconciliation information and pre-populates the report in exactly the format the vendor expects to see it – saving exporting the data to another tool and manually collating the results into a separate format.

## 7. Moving forwards

While it may be very tempting at the end of an audit to sit back, take a deep breath and try to bury any memories of the whole endeavour, a far more effective strategy is to build on the work already undertaken and invest in creating an on-going license management program that will both make you a less attractive target for future audits and respond to any requests much more quickly and with less disruption to the business.

Assuming the audit has resulted in some form of additional software license purchases (almost all do!), then you are now on that vendor's radar. Depending on the scale of the license purchase, the vendor may decide that your organization would be worth revisiting in 12 months (see section 2.1) in the hope of securing more 'easy' revenue. To ensure that any future requests are answered quickly, and that the vendor starts to see you as a less attractive (i.e. profitable) target, it makes good business sense to continue keeping your license management solution regularly updated with both audit and license entitlement information. And don't forget that this information isn't just valuable from a compliance point of view – it can also highlight areas where money can be saved, licenses can be re-harvested and software usage optimized.

Additionally, here is some more advice that organizations should consider to build on the good efforts put into the initial audit exercise:

- CIOs and IT managers should consider SAM and compliance to be ongoing disciplines, rather than point-in-time projects when it may already be too little, too late
- Continue to invest in SAM systems by funding the people, processes and tools required
- Review all new software contracts to ensure reasonable terms for auditing and that all usage rights are clearly understood in advance
- Ensure IT assets take priority during any merger/demerger activity – including the transfer of license entitlements. Organizations employing outsourcers should be clear on exactly where the responsibility lies for managing license compliance
- IT teams should work with IT procurement to ensure full visibility of all procurement and deployment activity, so that all applications pushed out onto the network are correctly licensed and approved in advance

## 8. Summary

It may sound obvious, but being audited isn't fun. It can tie-up resources for up to six months and bring significant unbudgeted costs to the organization. But it is important to realize – as has been shown in this document – that there are ways both to minimize the 'pain' around responding to an audit as well as actually using the experience to build a more cost-effective approach to managing the software and licenses your organization uses.

Naturally, the best route is not to be audited at all, so it is worth reviewing the audit triggers outlined in section 3 to see what you can do now to help prevent an audit in the first place. Investing in technologies to manage software and licenses *before* an audit is a wise move, as the ability to provide an initial ELP 'on demand' to a vendor can often be sufficient to dissuade the potential auditor from wasting any more effort asking for a more detailed response. But to do that means carefully selecting the right license management and IT inventory tools for your organization's specific needs. There's a reason Gartner suggests many IT Asset Management tool users are currently in what it describes as the 'Trough of disillusionment' – basically too many tools over-promise and under-deliver.

So it's a case of 'buyer beware' when considering what tools will or won't meet your exact requirements. Focus on what is most important to you, not just how many bells and whistles the tool developer is able to demonstrate.

But rest assured that it is far better to be prepared in advance than have to react quickly to an audit request. Far better to know your licensing position in advance and form a proactive plan to address any shortfalls over a realistic timeframe than to have a large unbudgeted cost hit you out of the blue!

## 9. About License Dashboard

License Dashboard is a dedicated developer of technology solutions designed to help organizations better manage their software, from initial compliance and establishing an Effective Licensing Position (ELP), through to advanced license management and software optimization. License Dashboard solutions are available worldwide through an accredited network of resellers and are used by hundreds of organizations large and small to manage their software estates.

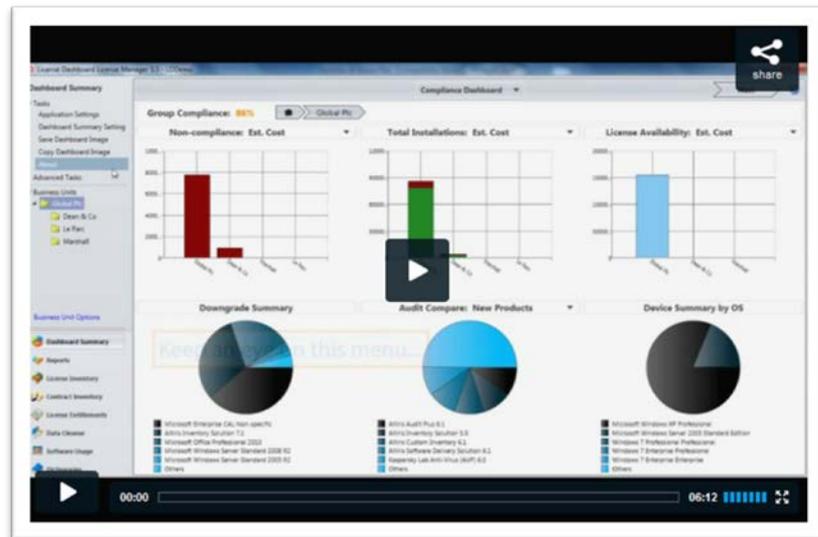
The License Dashboard solution portfolio comprises three core technologies:

**License Manager** – the 'engine' that has powered over 800 SAM and licensing projects worldwide. License Manager is the fastest route to producing an ELP for your organization, automating many of the complex and laborious tasks required to capture, verify and report on license entitlements.

For more information on License Manager, visit [www.licensedashboard.com/LicenseManager](http://www.licensedashboard.com/LicenseManager)

## License Manager 5.5

In September 2012, License Dashboard launched version 5.5 of their market-leading License Manager solution. To see what's new in License Manager 5.5 [check out this short video](#):



**SAM Portal** – a single common-platform for all the different stakeholders involved in the software lifecycle, from end users requesting software to their line managers, from licensing experts through to procurement and deployment professionals.

For more information on SAM Portal visit, [www.licensedashboard.com/SAMPortal](http://www.licensedashboard.com/SAMPortal)

**Discovery** – a lightweight auditing solution designed to provide full hardware and software inventory information from Windows PCs and Servers. Discovery can be used in both agent and agent-less modes, giving a highly flexible, tactile audit solution for fast-turnaround projects.

For more information on Discovery, visit [www.licensedashboard.com/Discovery](http://www.licensedashboard.com/Discovery)

### 9.1 Next Steps

If you've received an audit request, or want to get your house in order before one inevitably arrives, speak to one of our SAM and licensing experts today. We can answer any questions you have on the auditing process, help you understand how to choose the right technology for your needs and put you in contact with other organizations who have already used License Dashboard solutions to provide ELP information to software publishers and other third parties.

Contact us today on:

[info@licensedashboard.com](mailto:info@licensedashboard.com)

USA / Canada: 1-855-773-3404

UK & Intl: +44 (0)845 265 1217