

# Six Steps to Completing a Software Audit and Ensuring Compliance—While Saving Money

A Guide to Assessing Vulnerabilities and Ensuring Ongoing Software License Compliance



200 West Mercer Street | Suite E300 | Seattle, WA 98119  
Phone +1.206.691.7900 | Fax +1.206.691.7901  
[infoexpress@expressmetrix.com](mailto:infoexpress@expressmetrix.com) | [www.expressmetrix.com](http://www.expressmetrix.com)

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“Am I compliant?” is a question more and more companies are recognizing they need to answer with absolute certainty. Illegal software use costs software publishers billions of dollars each year, and software vendors, along with organizations such as the Business Software Alliance (BSA) and Software and Information Industry Association (SIIA), are stepping up activities to find and prosecute organizations guilty of software piracy.

### **Recent SIIA Piracy Settlements**

**Petroleum Heat & Power Corp.**, a distributor of home, heating oil, heating and cooling equipment and maintenance, paid \$217,570 to settle piracy claims—about two and a half times the retail price of the pirated Microsoft software installed on its systems.

**Preventative Maintenance Company Inc.**, a provider of predictive technology including vibration and infrared analysis of machinery, settled for \$156,137 based on the unlicensed software on their systems from Microsoft, Adobe, Symantec, and Nero AG.

**Ciberlynx**, a Web hosting company, paid damages of \$130,000 based on their possession of multiple unlicensed software titles published by Microsoft, Adobe, and Symantec.

**A recent survey conducted by Gartner Research revealed that 35% of companies had experienced an on-site audit from a major software vendor.**

Software copyright infringement is serious business, the consequences of which can range anywhere from a chaotic scramble to regain compliance, to piracy penalties of up to \$150,000 per infringed-upon title (not including legal fees), to demands that a company terminate use of the software until corrective action is taken—a consequence that can virtually shut down a business' operations. And it's not just money on the line - your company's reputation and goodwill are also at stake.

Many organizations believe the risk of being audited is too small to justify the cost of establishing effective controls to ensure compliance. However, a comprehensive software audit that examines not only license compliance, but also software utilization, often yields more in license savings than the cost of both implementing such controls and correcting license deficits.

The goal of this six-step guide is to help organizations assess their vulnerabilities with respect to license compliance, ensure compliance on an ongoing basis, and offset the costs of achieving compliance with savings associated with identifying and eliminating licenses that are not being used.

## Step One: Conduct a Software Inventory

In order to understand your software compliance status, you must first answer the question, “What do we have, and where is it?” A complete software inventory provides a foundation for you to not only assess your current license position, but also to ensure ongoing license compliance. It is therefore crucial that it be performed thoroughly and accurately. Conducting a manual inventory is rarely practical; it is time-consuming, error-prone, and difficult to keep up-to-date.

For the purposes of this guide, we will therefore strongly recommend that a software asset management tool be used. For compliance purposes, it is of utmost importance to ensure that, at the most basic level, the tool collects data on installed software and analyzes the information from a licensing perspective by comparing collected inventory data with software purchasing records.

If you don’t already have a software asset management tool that provides such functionality, be sure to select a product that provides:

- Comprehensive application recognition functionality, so you or your IT staff don’t spend excessive time trying to identify countless unrecognized or cryptically named files;
- The ability to import purchasing data (for example, number of licenses, purchase price, purchase date, PO or invoice number, maintenance expiration date) and reconcile it with installed software;
- Reports that distinguish between software version numbers, installations that are part of different suites (for example, Microsoft Office Professional vs. Microsoft Office Standard), and file executables with the same name (for example, SQL and MSDE);
- The ability to collect data on remote PCs;
- Compliance reports that provide meaningful, detailed information that can be acted upon immediately;
- Software usage metering functionality, so you can:
  - Monitor peak usage and enforce compliance for concurrently-licensed applications
  - Identify licenses not being used (this will be discussed in greater detail in Step Two)

In addition to helping you determine whether your organization is compliant, the inventory functionality found within your license management tool can also tell you what applications are installed that may pose a risk to security or productivity, and give you information to help you determine whether or not your organization could benefit from establishing software standards.

## Step Two: Meter Application Usage

After performing a software inventory, we suggest you begin collecting software usage data right away, so that you have more complete information with which to make subsequent purchasing decisions, as well as offset the costs of “truing up” with savings on unused software. Step Three, which involves gathering software licensing documentation (discussed in Step Three) can be fairly time-consuming, and you’ll more than likely be able to establish a good base of usage information during this process.

**According to studies conducted by Morgan Stanley and AMR Research, only 12% of CIOs believe they had unused CRM licenses; however, in reality, MOST companies with CRM software had implemented fewer than 50% of their licenses.**

Software usage tracking tools, or software “metering” tools, are designed to collect software usage information across an organization. By identifying unused or underutilized licenses, you can save significantly on licensing costs by either reallocating the unused licenses to users that truly need them or by terminating maintenance on them. As previously discussed, your software asset management tool will ideally have both inventory *and* metering functionality, so that licensing information can be simultaneously reconciled with both software inventory and usage data. We recommend collecting usage data for at least 30 (and ideally 60) days to obtain an

accurate representation of utilization in your environment, as some applications by their nature are used less frequently than others or only at certain times of the month.

For environments with concurrently licensed applications, metering functionality is critical not only to collect and analyze software usage, but also evaluate and enforce compliance. For example, if your organization licenses computer-aided design (CAD) software based on the agreement that no more than 35 licenses may be in use at any given time, a metering tool can prohibit the 36<sup>th</sup> user from launching that application, and notify that user when a license becomes available.

### **Step Three: Gather Software Licensing Data**

The next question you'll need to answer when conducting a software audit is "What software licenses does my organization own?" Answering this question requires collecting software licensing information for the software inventoried in Step One. For many, this is the most difficult step in the software audit process. A good place to begin is with your purchasing records. Gather invoices and organize them according to software manufacturer. You may need to contact software publishers and/or resellers to obtain complete purchasing details. Centralize all the documentation into digital format that can be imported into or referenced by the tool for reconciliation against installed licenses and usage volume. At a very minimum, you will want to track the exact number of licenses purchased for each software title, but it may also be valuable to track other details such as dates of purchase, purchase prices, maintenance expiration dates, and PO or invoice numbers for additional tracking and analysis.

### **Step Four: Adjust License Counts**

Now that you have gathered both software inventory and usage data, you can reconcile your purchasing information with the number of licenses installed and the frequency with which those applications are utilized. As previously mentioned, your tool should be able to automatically reconcile inventory and metering data with your licensing agreements to show where you are under-licensed, and where you are over-licensed. With this information, you are prepared to take corrective action.

If you discover, for example, there are 175 copies of CRM software installed across your desktops, but your company has only purchased 150 licenses, you know that 25 of those copies are not legal; you will therefore need to purchase 25 more licenses.

You may also find, for instance, that your organization has purchased and installed 300 licenses of Microsoft Project, but that 100 copies have not been launched over a period of 60 days. In such situations, there are a number of options available to you, both of which can offset the "true-up" costs for non-compliant software, if not generate significant net savings: you may uninstall the unused copies and redistribute them to users that actually need them (thus avoiding the future purchase of more licenses), or you may let your maintenance contract lapse on those licenses to save money on unnecessary support and upgrades.

In some cases, organizations are simultaneously out of compliance *and* over-licensed on the *same* software title. How can this be? Let's say that your inventory reveals 200 copies of a certain application installed across your company, but your licensing information indicates that only 150 licenses were purchased. Based on this data alone, the logical conclusion would be to purchase an additional 50 licenses in order to regain compliance. Now, let's say your data tells you that only 50 copies of that software have been launched over a period of 30 days. This could lead to a completely different outcome; although the terms of your licensing agreement may likely still require that you "true up" on the over-installed copies, your organization may be able to partially *offset* this expense by reallocating or terminating maintenance on the unused licenses. And, in some cases, your software vendor may even be willing to "forgive" the compliance violation or reduce your true-up costs as an act of good faith if you can prove those installed licenses have not been used.

In summary, when conducting a license reconciliation, it is very important to take into account both software inventory and usage data. When considered together, this information can help you not only offset your costs of becoming compliant, but help you make informed buying decisions well into the future.

### **Step Five: Establish and Communicate Software Policies**

To protect your organization from compliance violations in the future, you should have written policies and procedures regarding software installation and use throughout the software lifecycle, from procurement to retirement. The following three areas should be addressed, at a minimum:

#### **A) Software purchasing and documentation**

To simplify your compliance efforts going forward, you will need to establish software purchasing guidelines, as well as procedures that ensure ownership is documented and records are maintained on an ongoing basis. These processes will vary greatly depending on who is authorized to purchase and install software. Things to consider include:

- Determining specifically which people and/or departments are responsible for acquiring new software, negotiating pricing, and tracking purchases.
- Creating a list of approved software vendors.
- Deciding whether or not employees are allowed to buy software on their own, and if so, what kinds of software they are authorized to purchase. If employees are allowed to purchase software, be sure to develop and communicate guidelines for documenting the purchase and storing documentation.
- Creating a central location and assign ownership for maintaining all relevant purchasing data. You will likely want to incorporate some of the data into your software asset management tool for reconciliation, while other, more detailed documentation and proof of ownership may be stored elsewhere.
- Determine exactly what purchasing information is important to have on hand. Check with your software vendor or reseller to determine what constitutes “proof of ownership” in the event of an audit.

**To review or download a sample Software Usage Policy  
published by the SIIA, go to  
[http://www.expressmatrix.com/products/sample\\_policy.asp](http://www.expressmatrix.com/products/sample_policy.asp).**

#### **B) Software use**

In addition to establishing purchasing procedures, is very important to develop a set of policies governing the download, installation, and use of software among employees, and to make employees aware of these rules. Consider posting a Software Usage Policy on your internal company web site, having each employee review and sign the document, and sending periodic reminders to employees that they are responsible for knowing the rules. This will demonstrate your commitment to good corporate citizenship not only to your employees, but also to vendors, if you make them aware of your efforts. Some questions to address are:

- Who should be allowed to install software? If employees are allowed to install software on their own desktops, you must develop a process for reporting and documenting these activities.
- What kinds of software are allowed on the desktop? Should the use of gaming applications, chat programs or other non-business related software be allowed in your organization? If not, you must consider whether employees should be self-governing, or whether you want to implement a system to monitor and/or block the launch of unauthorized applications (many software metering tools have both of this capability).
- What are the penalties, if any, for not complying with your organization’s Software Usage Policy?

## Step Six: Manage Ongoing License Compliance

Employees' needs change constantly, so license compliance management is a very dynamic process. You will need to continually monitor software inventory and usage in order to ensure your organization remains compliant. Be sure to run periodic inventories, so you know what has changed in your environment and how it impacts your compliance status. And don't forget to factor software utilization into your compliance framework, as it will not only help you offset the costs of remaining compliant, but in all likelihood save you a great deal of money overall.

### Get Compliant with Express Software Manager: 30-Day Free Evaluation

If you need a tool to conduct an internal software audit and help you manage ongoing license compliance, get a 30-day free trial of Express Software Manager®. Express Software Manager is a powerful hardware and software asset management solution that integrates PC inventory and software usage metering into one easy-to-use product—giving you full visibility and control over your IT assets.

Download your 30-day trial at <http://www.expressmetrix.com/evaluate>.

### Additional Resources

For tips and best practices on managing your hardware and software assets, visit [http://www.expressmetrix.com/products/wp\\_index.asp](http://www.expressmetrix.com/products/wp_index.asp). You'll find white papers on the following topics:

- Software Asset Management is on the Rise: Understanding Why
- Quantifying ROI: Building the Business Case for IT Asset Management
- Best Practices for Implementing Software Asset Management
- Buyers' Guide for PC Inventory and Software Usage Metering Tools
- IT and Software Asset Management: A Key to Reducing Costs
- Setting and Enforcing Desktop Standards Using IT Asset Management Tools



200 West Mercer Street | Suite E300 | Seattle, WA 98119  
Phone +1.206.691.7900 | Fax +1.206.691.7901  
[infoexpress@expressmetrix.com](mailto:infoexpress@expressmetrix.com) | [www.expressmetrix.com](http://www.expressmetrix.com)

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