



USU

White Paper

Mastering Audit Defense with Serenity

Essential SAM-guide for a deep software compliance experience

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Introduction

Eventually, every company faces an audit. Your vendor requests extensive data on license purchases and software usage, and then examines it to verify if you're complying with contract terms.

This process creates significant unplanned work for your team. Data analysis is time-consuming, the workload requires full-time attention, and the process can often drag out for months before it's settled. To add to the challenge, vendors frequently discover that a company is either under-licensed or non-compliant, leading to negotiations and potentially hefty fines.

This white paper is designed to alleviate the stress of your next audit. Drawing on insights from our consultants and experts, you'll get practical advice on:

- Collecting data ahead of time with the right people, processes, and tools
- Using your data smartly during an audit to boost savings and reclaim your budget
- Preparing for and handling audit negotiations effectively with your SAM data.

Solid SAM data is key to a strong audit defense. Effective SAM ensures that you're purchasing the correct number of licenses and remaining compliant with all licensing terms and conditions. Whether you operate on-premises or in the cloud, using top-notch data smartly means you can handle your next audit with ease.

Before the Audit – Build Your Defense



The goal of an audit isn't for the vendor to uncover non-compliance. It is to uncover non-compliance to collect licensing fees. Vendors look at audits as a lucrative revenue source, so they'll take the path of least resistance to it.

Once in an audit, they'll use everything you give to get as much revenue as they can. And, if you're known as a soft touch, then you can expect to be audited frequently because you have a reputation as an audit cash machine, paying out to vendors whenever they come around.

Building a strong audit defense will likely reduce your overall number of audits. It cuts down on the time, effort, and cost of responding to an audit. It produces data with the kind of detail that counters the vendors' claims, which controls your overall license costs. Audit defense is crucial. And it begins well before the audit letter arrives.

Takeaway

The biggest mistake a company can make is to passively accept the audit results and terms when they are unfavorable. When you have the structures in place, when your people know what to do and how to do it, and you have the right tools for the job, you can react assertively to an audit.

Where to begin? People. Processes. Tools.

Putting in work before an audit will lighten your workload – and the accompanying time pressure and stress – during an audit. There are three keys to being prepared.

- 01 |** Develop an audit response strategy (like who responds to audit letter and other roles) and communicate it with all stakeholders, especially IT managers and Purchasing.
- 02 |** Have a team ready to go: technical lead, project manager, application manager for the software, and representatives from legal and procurement.
- 03 |** Use a professional SAM tool to check the quality of the data, process it, and produce pre-emptive compliance reports.

Having processes, people, and technology makes you an audit boss and helps you:

- Produce the required data accurately, quickly and easily.
- Be able to analyze the auditor's results for missing records or errors, using your own detailed data as a benchmark.
- Negotiate from a position of strength after the audit.



Know your product use rights

Your compliance data is complex. Vendors rely on this complexity to be confusing, so customers pay up just to end the audit pain. This is unfortunate because all too often, when compliance data is gathered, a simple system is used and only the purchased licenses are counted.

But purchases aren't the only data to watch. This simplification overlooks a wealth of information and entitlements in your licenses' term and conditions or your contract, which could have a positive impact on your compliance position.

A commonly overlooked gold mine is your Product Use Rights, which are the rules and conditions, or entitlements, for how you're allowed to use the licensed software. They have amazing benefits, if you use them. Here are three handy Product Use Rights:

Bundles:

When one license purchase entitles you to more than one software product. Easily overlooked if you're counting licenses.

Downgrade Right:

When you can use an earlier, often less expensive version of software than what's been bought.

Right to Secondary Copy:

When a copy of the licensed software can be installed on a second device that is used by the same person.

Takeaway

You miss out on these entitlements if you only compare licenses to purchases one-to-one. Finding, understanding, and applying entitlements to your license balance and compliance report is difficult to do manually, but a professional SAM tool automates uncovering these entitlements in your software data. In more complex licensing situations, a SAM tool also simulates different scenarios, so you can make the best possible decision on how to use them.

Enter the license metrics

License metrics make determining your compliance position even more complicated. It's an easy mistake to count your licenses by whether the software was installed. It's also a costly one. There are many other rules – called metrics – that decide how the license is measured and how it can be used, which impact your compliance in an audit.

Take server metrics, which are rarely just based on an installation. Named User, processor value units, and Processor-based are just a few examples of metrics that are not installation based. The installation record won't be enough to figure out how many licenses you need to cover all your software. You'll either be under-licensed and risk non-compliance penalties, or be over-licensed and pay out more than you need for licenses.

The larger your company, the more complicated that situation will get. A successful audit defense needs insight into your licenses' terms and conditions, entitlements, metrics, and other IT architectural issues.

Takeaway

A professional SAM tool consolidates and processes this complex data, fills in the missing pieces like entitlements and metrics, and highlight gaps in the required data that can be targeted and resolved. It makes your audit less costly and less difficult than spreadsheets and pocket calculators.



During the Audit – Part I: Use Your Process

It happened... you received an audit letter.
What are your next steps?

01 | First, acknowledge to the vendor that you received it, and state you will respond in the maximum time allowed. If it's addressed to the wrong person, then send it back and let them know.

02 | Next, inform senior management and your legal department. Gather that audit team you created earlier. Check which contract you're being audited under because you could have more than one contract with that vendor.

03 | Stop all license purchases and new software deployments from the vendor. If you have a SAM tool, you should be continually optimizing your software estate before and during the audit. The vendor sets the timeline and you'll probably have to reply in that time. While the audit letter may indicate that you only have two weeks to respond, your contract might say something different. Know what your contract says

about how and when to respond to audit letters because you might have more time than the vendor states in the audit letter.

Takeaway

You'll work with the auditing vendor as much as you'll work against them. Act professionally. Remember to do what you say you'll do. Don't be difficult. It will come back to hurt you later. When you know your contract, you can question the metrics and try to extend the time scales without ruining anyone's day. Knowing your rights buys you more time, which you will need to respond to the audit effectively.

What's going on from the auditor's perspective?

No vendor is the same. Some hire a third party to perform their audits. Others have their own in-house audit team. Some vendors send out a few dozen form letters, to which a handful of companies will respond. Others audit in two- or three-year cycles or watch their customers' activities. The vendor's main concern is generating a steady, reliable, predictable revenue

stream. That's why they're auditing you. A pro tip is to let them know what you're planning to buy. They might not audit you in the future because selling new software is more profitable than making sure you're using what you have properly. If that purchase won't happen, let them know beforehand. Otherwise, they may audit you out of spite. Vendors have the homefield

advantage – it's their software, their metrics, their rules, their audit. They will capitalize on the complexity of the metrics, the confusing licensing rules, twisted processes, and your potential lack of a SAM tool to extract more licensing fees.

Treat the audit like a project

The audit should be a focus, not a side project. Allocate the appropriate time, resources, and an internal project manager.

Vendors will have different requirements. This could be detailed installation/setup information, lengthy questionnaires, data gathering instructions with scripts, or countless follow-up emails asking for further clarifications. Rely on your core team of SAM, procurement, legal and others. That team should

Takeaway

Own the audit, don't allow the audit to own you. Take it seriously. Always notify stakeholders and senior management of any potential risk.

What might trigger an audit?

- Exiting from a ULA or another unlimited vendor program
- Canceling a contract
- Maintaining a poor relationship with your vendor
- Making no new orders during a new agreement period
- Announcing company growth or mergers

ensure your compliance, analyze your contracts, and verify all the data you submit. Establish a single point of contact for the vendor to control the flow of information and that one set of data is sent.



Your data is your secret weapon

How do you determine your own compliance?

This starts with gathering software usage data from across your entire estate, continues by analyzing the crucial bits, then accurately reporting usage and installations, and ends with reconciling that data against your entitlements and contracts.

A SAM tool automates this process, helping you establish a single source of truth. Pulling in the

data from one or more inventory sources into a SAM tool provides an accurate report of deployment, configuration, licensing, and usage.

Data is the secret weapon you take to the negotiating table after the audit when your vendor presents its own version of your compliance. To defend against the vendor's compliance data, you need the right kind of data from your own estate.

Choosing the right SAM tool for an audit

A specialized Software Asset Management tool is designed to peel back the layers of your data to provide the gold that enables your company to quickly, confidently, and accurately produce the required audit data. Its detail allows you to draw the right conclusions from it.

Your tool must have data quality management (DQM) features. These make it possible to transparently show the auditor the steps from the raw data to metric calculations, to prove your effective license position and apply Product Use Rights.

Here are a few cool DQM features you will want in your SAM tool:

- Import Success Tracker – ensures data is loaded and processed correctly.
- Key Performance Indicators – allows you to set KPIs for audit compliance.
- Warning Systems – sounds the alarm when there's missing, corrupt, or incomplete information

Takeaway

You're not going to get this level of data detail with spreadsheets. You need a SAM tool. And this seems like a good point to shamelessly mention that our **license management platform** is ideal for your audit defense. It produces the detailed data needed in an audit, has all those DQM features to defend that data, and it can also cut down your audit response time by 50 percent.

USU Software Asset Management also integrates with SAM's first and most comprehensive SKU catalog. It is supported by a content team whose job is to supplement the SKUs with license Terms and Conditions and other Product Use Rights.

Alright, alright. The sales pitch is over. It's time to go into more detail about Product Use Rights and other essential data needed to beat the audit.



Data Deep Dive: 7 Layers of Essential Data to Beat the Audit

Data is king in an audit. But it's more than grabbing as much information as you can and throwing it at the auditor, hoping something sticks. You need the data that is relevant to defending your audit and dig deep down into the details that will beat the audit. Your audit-ready data comes in seven layers, which progressively reveal the secrets of your software licenses, and give you an edge in your audit response.

01 | Commercial data

This is all about the licenses your company purchased. When. How many. Which business unit owns what. It's the low-hanging fruit that most procurement/spend management tools can pick.

But! Just counting licenses isn't enough in an audit – your vendor will demand more. You must go deeper than the first layer and read the contracts, note the licenses and metrics, and record Product Use Rights, maintenance terms and dates, license transfers. Getting the first layer of commercial data is only scraping the surface in an audit.

02 | Effective licenses

To understand whether you're compliant, you must find your effective license position. This is the licenses needed based on actual usage in your company. To find it, you'll need to answer these questions about a license:

- Is it a base license, update license, or pure maintenance license?
- Does the base or update license, or even the entire contract, entitle you to maintenance?
- What do the Product Use Rights allow?
- What is the license metric?

03 | Licensable software inventory data

Here's an important tip: Discovery is not the same as inventory. Discovery is when your SAM tool finds or "discovers" the installed and running software from all devices in an IT environment, both physical and virtual. Inventory is how you use the discovery information to count the software and hardware on the devices.

It's easy to believe that discovery is about collecting all the executable files. But this process will gather far too much data that won't be relevant from a licensing or compliance point of view.

Never submit raw discovery data! Ever. These reports contain more than the necessary information for what you need to reveal to an auditor and may lead to discrepancies in the vendor's audit report. It also hands the vendor detailed information about your software estate, which they could use to your disadvantage during negotiations after the audit.

Instead, submit your inventory reports which is an organized version of your raw data that your vendor requires to audit your usage of their products. A dedicated SAM tool can automatically sort your data and ensure you're giving only what's needed – nothing extra.

04 | IT architecture data

This is where your software runs, and from a compliance perspective, this data can get murky. Here are important questions to ask yourself in the data collection phase of before or during audit:

- Who owns the machines on which the software is running?
- How is the hardware configured?
- How is the IT architecture designed? Is the software running on a hard-partitioned virtual server or on server in a cluster?
- On which platform is the software running?
- How is the software used?
- Which applications are running on top of what server software?

When you enter “Serverland,” licensing can get complicated and mistakes can get costly. But this information is relevant to the Product Use Rights (possible savings for you – fist pump!) and vital for certain metric calculations. Be thorough and use your SAM tool if you have one.

05 | Metrics & effective demand data

You’re going to need to know the actual contents of the licenses because they define the metric and the vendor’s calculation. In this layer, the goal is to use the metric to calculate the licenses needed to cover your software usage: That’s your Effective Demand.

In Serverland, software license metrics are a snarl to calculate because they take various factors like hardware details, configuration, platform, virtualization – all those 4th layer IT Architecture questions you had to answer – and put them through complex calculations.

Then, because Serverland is a dark and murky land, there might be alternative metrics. You might end up with several calculation results for the same software usage. Some might even be more favorable for the vendor than others.

For an idea of how mind bending this can get, here’s the data needed to make sense of Oracle’s metrics:

- Database instance name
- Server status
- Installed software
- Metrics
- Processor model
- Number of processors or used sockets
- Database options
- Total amount of processor cores
- Number of named users
- Server hardware partition
- Database management packets

Manually doing the calculations – for the hundreds of metrics for server software – would require specialized knowledge about each license and a significant amount of time. It’s also error-prone, labor-intensive, and might make you cry.

06 | Applying license data

This layer is all about assigning update and maintenance licenses to base licenses and applying those helpful Product Use Rights. Your license position will be accurate, and your license demand won’t be exaggerated – both of which are gigantic potential cost surprises. No one likes those kinds of surprises.

The auditor may follow guidelines that say if there are any “holes” in the update or maintenance chain of a longstanding license then the license’s current usage isn’t compliant. Applying license data properly requires an understanding of your software usage and device ownership. A SAM tool can plug those “holes” with the correct, complete data.

When you do assign update and maintenance licenses to base licenses and apply your Product Use Rights, you’re protecting yourself in an audit and saving on license costs.

07 | Compliance balance

Finally, the core layer is applying the Effective License Position (see Layer 2) to the Effective Demand (see Layer 5) – what you truly have versus what you need. The result of this comparison is your company's compliance balance.

The crucial data for audit compliance is multi-faceted, and there are many – not always easy – ways to decipher conclusions a company needs to draw from it. These data requirements can be fulfilled with a SAM tool, which gathers and processes all this beautiful, high-quality data you can apply its detail to your advantage in an audit.



During the Audit – Part II: Know Your Licenses, Win the Audit

Sticking to the auditor script

Some vendors accept audit data from a SAM tool, but others will ask to run their own proprietary scripts. They often retrieve data on all executables, revealing products beyond the scope of the audit, including installed products from other vendors. This gives them leverage over you in audit negotiations later – it's like letting them see all your cards in a poker game.

If you must use their script, run it in a test environment first or on a few servers before letting it run wild across your entire estate. You ensure it's working properly

and can check the output, which should only provide pertinent product information from that provider.

Takeaway

If the vendor accepts data from your SAM tool using their parameters, you have the advantage. Your audit submission data will be error-free and accurate.

The vendor's audit report vs. your audit report

Let's say it again, together: In an audit, the side with the best data wins. If all you have is your own data or poorly organized spreadsheets – oh, boy! – you're at a disadvantage, because the best data in the room will come from the vendor. With nothing substantial from your side to counter it, their data will stand.

When you get the draft report, ask yourself these questions:

- Do different environments (Production/Dev-Test) make any difference?
- Do you understand how the "demand" has been calculated?
- Does the entitlement reflect your expectations?
- Do the license metrics match your contractual definitions?
- Do you understand the financial penalties?

Do not just passively accept their report! Common audit advice is to never accept the first draft of the audit report. At least review their report and compare it to your own compliance balance.

If there's a discrepancy between your data and the vendor's audit data – and there will be discrepancies, rarely in your favor – the burden is on you to prove your data is correct. By improving your data quality and confirming the reliability of your compliance position, you can successfully dispute their initial – and potentially inaccurate – audit report.

Takeaway

There are many places where the vendor's results can be negotiated to improve your own compliance position. Even simple errors, like wrong editions or incorrect product names can be uncovered. Knowing your SAM data helps you agree on a fair, accurate audit report, so you don't end up being declared non-compliant on inaccurate results and the vendor can't sell licenses that you don't need.



Keep track of missing licenses

Auditing vendors often surprise customers with a purchase history, like the Microsoft Licensing Statement (MLS) or IBM's FastPass. These reports are often missing license purchases, so when the auditor checks your software usage, they think that software was used without a license.

Will you have to pay up? Not if you have high-quality data to counter those reports. Gathering and consolidating licenses from all contracts and procurement methods will produce a more complete story of your licenses. This can defend against inaccurate claims in the auditor's purchase history.

A professional SAM tool will contain the vendor's stock keeping unit, which is their unique identifying number for a product. When that SKU is part of the purchase

record that the vendor shows you, the tool will recognize the SKU and assign the correct Product Use Rights. Now your data is more correct than the vendor's report.

Takeaway

Your SAM tool can track upgrades, downgrades, moves, ownership transfers. So even 20 years after its purchase, you can still show the product's entire chain of updates in an audit. Check your vendor's audit report and, if you find discrepancies about missing purchases or SKUs, show them your proof of entitlement with a click. Then you can drop your mic and walk out.

Avoid the cost of over-counting licenses

An audit means submitting your usage and inventory data to the vendor, including licensable software installed on your machines. If your report was created with the vendor's scripts, overcounting will be common. Discrepancies like multiple recognitions, ghost installs, and counting deactivated products will likely pop up.

Review the inventory data before submitting it. If you have a SAM tool, process the raw data into an inventory of licensable software. It's the best defense against an auditor's over-licensed report.

Time isn't on your side in an audit. It's certainly possible to sift out irrelevant data, normalize the relevant data, match installations to licensable software, and check

the data manually. But it's time-consuming work that increases the risk of errors that can cost millions.

Takeaway

It's important to approach the vendor during an audit with your own more accurate effective demand results, without the errors their own tools or scripts might create. If you have the data to back up your claim – like proving Product Use Rights by tracing each step of the process from raw data scan to the final results – it will be simple process to correct those errors.

After the Audit – Always in Audit Mode

Know the software you need

An audit is how vendors sell software to you. When audit negotiations begin, you should know what your company intends to buy from the vendor. After you create your audit response team (see our section “Before the Audit”), work with Purchasing to understand your company’s software strategy.

If you’re gathering data throughout the year, then applying this strategic knowledge will give you a clear picture of your actual software usage and needs.

Takeaway

Go into negotiations and say “Thanks, but no thanks” to the bundle the vendor is pushing and counter-offer with what you know your company needs. The vendor is happy to make a sale and you bought software licenses that benefit your company. A real, actual win-win.

Negotiating for perpetual, cloud & hybrid licenses

We’re past the data part of the audit. Breathe a sigh of relief, but don’t start your victory dance yet, because it’s time to talk more about money. The vendor views your current contract as the minimum purchase/investment, so after an audit report is agreed upon, it’s unlikely they will just walk away – they will want to sell you more software licenses.

Let’s say your company was under-licensed in the audit and faces a penalty. You can negotiate your planned software license purchases against the non-compliance penalty. Knowing what you need gives you some wiggle room during your audit negotiations.

Be clear about your cloud or hybrid-cloud transition with your vendor. Many vendors use the audit as an upsell opportunity for their cloud or subscription offerings – even if you’re over-licensed. They will want to steer you away from perpetual licenses to their lucrative subscription models.

Many vendors pay their account managers higher commission rates for cloud products, so there is always a sales incentive to push you to adopt the cloud. They will tempt you with amazing discounts that lock you into a subscription deal, and you could end up paying more over time for solutions you don’t need.

Takeaway

Whether it’s cloud or on-premises licenses, remember your software strategy. Buy only what you need. You can buy more subscriptions when you need them.

Eternal audits in the cloud

In the cloud, vendors can access your environments, collect any data they need, and present you with a bill. The cloud's convenience comes at a cost.

Whether you're compliant now doesn't matter – were you compliant six months ago? Or last week? Those will be burning questions, especially when subscriptions are involved. As more enterprises move into the cloud, some software vendors will use peak usage as a benchmark for pricing or compliance.

There are two reasons you need to track your company's cloud usage.

01 | To keep your peak usage below a certain threshold to remain compliant and to avoid jumping into a higher price range

02 | To uncover savings from unused subscriptions, which could be as high as 35 percent¹.

There are no refunds for unused capacity or subscriptions. Accurately tracking cloud usage is crucial if your company wants to get the most from its investment.

It's still early in the cloud game. Many companies have a foot on premises and in the cloud – hybrid to some degree. Everyone is still getting used to the subscription/consumption model.

Vendors are looking for ways to maintain compliance in the cloud without surprise costs that drive away customers. In some cases, it's easier to switch providers in the cloud than it is on-premises.

Takeaway

You can expect that vendors will use the audit to tempt you from their on-premises solutions to their fancy subscription-based cloud applications. If you're using a hybrid environment, expect upselling or unlimited term deals. Unless you need them, just say no.

Audit follow-up: maintain the momentum

The work doesn't end after the audit. Audit readiness continues. If there was any shortfall or financial penalties, your team should implement processes to prevent repeat occurrences. That might be to apply audit rules, new contract clauses, and exceptions for bundling rules, downgrade rights, and metric selections.

If you have a SAM tool, it can automate your audit response processes. It gives you visibility at a user, system, and entitlement level and produces a compliance report. You won't dip into under-licensed territory, and the actual usage reports will identify cost-saving optimization opportunities.

Over time, you will notice patterns emerging in audits with different vendors, so apply this knowledge to other audits. Help other teams by maintaining documentation on data and processes, along with audit outcomes, to improve audit response across your entire company.

Takeaway

Don't lose momentum. Update your IT policies and SAM strategy. Think about what you've learned during this audit. Use it as an opportunity to be even better prepared for the inevitable next time – many auditors will reschedule an audit in two or three years.

Conclusion

Demonstrating that your company has control over its software license compliance sends a powerful statement to the vendor. That control means:

- Implementing the processes and gathering the people to respond quickly and efficiently before the audit.
- Responding to the audit promptly and professionally.
- Gathering, processing, and understanding high-quality data.
- Using that high-quality data to defend against a vendor's audit report.
- Negotiating by knowing your software license estate better than your vendor.

A catalog-based SAM tool enables you to do this. Every time we've said a professional SAM tool can do something in this white paper, we were referring to our **USU Software Asset Management** solution. It's the crucial part of your audit defense that helps you respond faster and more effectively to an audit. Our solution takes the power back with accurate visibility across your entire estate, for deployment, configuration, licensing, and usage. It uses our comprehensive SKU catalog of software products, so you understand your licenses' obligations and entitlements – to remain compliant and find possible cost savings.

Even if you're already engaged in an audit right now, a 100% web-based SAM tool can start processing and interpreting the data immediately and accurately. It's the ace up your sleeve that helps you handle the audit with poise, speed, and knowledge about your environment – and negotiate from a position of strength. Your chances of being audited in the future also go down. That's why SAM is the perfect audit defense – it beats the audit today and prevents the audit tomorrow.

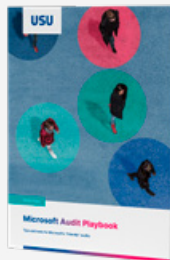
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Identify and inventory IT assets and use the data obtained in a meaningful way.

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Microsoft Audit Playbook

Instead of traditional audits, Microsoft asks its customers for “friendly” audits that you can prepare for.

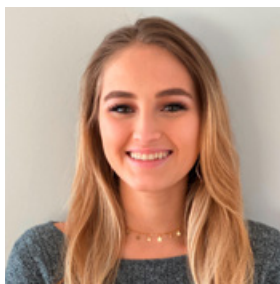
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ITAM Review Certification for USU Enterprise SAM Tool

Analysts' test report based on product demo and customer references

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Do you need further information, a live demo or do you have any questions? The best way to get answers to your questions is by giving us a call. I'm here and ready to help, so don't hesitate to reach out over the phone. [Schedule a meeting now.](#)

Sasha Stein

USU Sales Development
Software Asset Management

About USU

With a 20-years track record of excellence, USU emerges as the go-to partner for leading organizations such as General Electric, T-Mobile, JP Morgan Chase, BMW, and Hewlett Packard. Whether analyzing software usage and simulating licensing needs on-prem or in the cloud, our comprehensive suite of tools and services empowers businesses to navigate the intricacies of software asset management, while ensuring compliance, cost transparency and saving potential.

Global leaders trust USU



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