

Managing Risks in the Software Audit Process

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It has been said that software is the new oil. It fuels the information revolution. And in this metaphor, software audits are the meters that measure the flow—and extract maximum revenue for software makers. The auditors arrive on your company doorstep to “true up” your license and make sure you’re paying for all the software your employees are using. They probe and flag noncompliance.

Gartner Research Group has estimated that 68% of organizations will have their software assets audited in the next 12 months. This is up from 63% in 2013 and continues the upward trend of the recent past. In fact, every major software maker has embraced a strategy of revenue enhancement via software licensing audits, including IBM, Microsoft and Oracle.

Software audits are usually not a pleasant experience. The scripts that auditors use to discover illicit use of software (intentional or not) can themselves create problems in your IT infrastructure, consume valuable staff resources and money, and negatively impact your bottom line. Software publishers don’t typically telegraph their audits, which means an audit can trigger large unbudgeted payments for penalties and other hard and soft costs that impact financial performance. Following each unsuccessful audit, there’s a greater chance your company will be audited again and every audit is time-consuming, stressful and potentially damaging to your bottom line.

So what can be done?

First, companies can push back on software audits. Most

businesses have more room to negotiate an audit than they realize. Second, you should have audit response policies in place to ensure that audits are dealt with in a systematic way rather than the typical “reactive mode.” Lastly, you should start thinking and treating your software licenses like fixed-assets that are carefully tracked and managed in your financial reports, which should lead to better outcomes.

More than six decades ago, business got on board the computer revolution. Now every company is racing into “digital transformation.” Technology is ubiquitous and software keeps it all running, across the globe. So it’s no wonder software audits have become so common-place for enterprises big and small. They are now a part of life, which means that now is the time for your business to put in place management practices to alleviate the stress and financial burden of software audits. Scott & Scott has defended over 500 software audits over the last ten years. If you are interested in benefiting from this experience, reach out to us and learn how we help client’s manage the risk of software audits.