



THE TIMES THEY ARE A-CHANGIN’

By Eric Chiu, Director, Fisher IT Asset Consulting

Eric Chiu summarises trends in IBM license audit compliance which are putting more onus on users of systems, like Maximo, to keep clear and accurate records of their software use.

1. The net is widening

Over the past couple of years I’ve seen a constant increase in IBM license audit activities nationally. In the beginning, it was primarily the largest customers that got hit by such audits, but nowadays, IBM are increasingly targeting more mid-market and medium sized customers.

Typically, users will get caught out in two main areas; sub-capacity (virtualisation licensing), where most customers do not understand their reporting requirements and are therefore liable for full-capacity licensing, or the unintentional over usage of IBM applications, such as Maximo and Cognos, where there are no built-in control or tracking mechanism on licence usage .

2. Licensing terms have changed

There were two significant changes in terms of the audit clause wording within IBM’s Passport Advantage Contract that were phased in at the end of last year for new and existing customers. The result is that there is now more onus on users than ever before to keep clear and accurate records of their software use.

Business disruption and NDAs

The old Passport Advantage contract stated that audits had to be conducted in manner that caused ‘minimum disruption’ to the customer’s business and that IBM could appoint an independent auditor, as long as there was a ‘written confidentiality agreement’ in place. These lines has now been removed and the newly worded version states that customers must provide upon written request: ‘Records and system tools outputs and access to ... premises, as reasonably necessary for IBM and its independent auditor.’

By removing the original wording, IBM now has stronger legal grounds to insist on a prompt initiation of an audit.

Back Maintenance charges

IBM has made its position really clear in terms of back maintenance charges. Under the old Passport Advantage wording, a customer found to be non-compliant would be liable for two years of back maintenance charges, or a smaller amount if users could tell IBM when the over usage occurred (the back maintenance charges are on top of the additional license costs payable).

However, the contract wording has changed, so if a user can’t prove on paper exactly when the over usage occurred they will be liable to pay back maintenance for the full two-year period – the equivalent of 40% of the total license cost. This isn’t an operational change, but it gives IBM a stronger stance in terms of conducting an audit and when its legal team get involved it’s harder for customers to negotiate.

Pre-Audit Reviews

Conducting an internal review is the most effective way of eliminating licensing compliance risks. To assist with this process, FIAC offers a Pre-Audit Review service to measure user registrations and permissions against license entitlements, along with recommended actions. This independent review, covered by an NDA, adopts a similar approach to that used by IBM and their

auditors, however, it also differentiates between registered users, secondary users and self-service users to ensure that customers are billed accurately for each license.

What does it cost?

An FIAC Audit Review costs from £2,500 for an organisation with up to 500 Maximo users. Compared to the cost of carrying out an audit, the financial exposure that users could have can be substantial, as the case study below illustrates.

Maximo Audit Review Case study

A UK-based property developer sought FIAC's help after undergoing an IBM compliance audit in relation to its use of Maximo in 2010.

The problem:

- The company's field engineers were accessing Maximo remotely;
- The engineers' account access rights are not controlled and left as default;
- The 'real' usage only required 'Limited Use' licences (£800 each)
- The customer was liable for licences under the full 'Authorised User' licences (£4200 each), as the engineers had access rights to advanced modules.
- There were more than 220 engineers accounts identified that were non-compliant;

The outcome

- The customer was liable for around £750k in additional licence costs, plus £300k in back-maintenance, bringing the total to more than £1 million;
- Following negotiations with IBM, it was agreed that the customer would use this budget for another IBM product purchase instead;

Lessons learnt

- Make sure your system administrator understands the contractual obligations before setting users up.
- Conduct regular Pre-Audit Reviews internally, or engage with an external consultancy to manage this process on your behalf.

Get in touch...

If you would like to find out more or to book a Pre-Audit Review, please call Joe Goodwin on 08434 610062, or email joe.goodwin@vetasi.com.

About FIAC

Fisher IT Asset Consulting (FIAC) is part of HW Fisher & Company, a top-30 chartered accountancy firm specialising in license software. With a 20-strong team of license auditors and advisors, FIAC offers more than 20 years' experience of conducting license audit reviews amongst the top 10 software vendors, including IBM, SAP, Oracle, Microsoft and Adobe.

In 2014 alone, FIAC inventoried more than 230,000 PCs through its audit review service and delivering an average return of £7m per customer.