



Background

You have just received what appears to be an IBM license audit letter, what do you do next?

How you respond to the initial audit request from IBM will have a significant impact on the compliance gap determined by the auditor and the final deal done with your IBM account manager.

This document describes the initial steps an organisation should consider when they received an IBM audit letter to position themselves for success later in the negotiations.

Initial Steps

Invoke Vendor Audit Protocol

Many large organisations will already have a standard plan or protocol that is invoked whenever there is a vendor audit. Contact either Risk and Compliance or Procurement to find out if there is already one available. If not, you may want to consider developing one for future audits.

Who is the IBM audit request from?

Confirm who the audit request letter is coming from. Is it from IBM, an IBM Business Partner or 3rd party acting on behalf of IBM (Deloitte, KPMG, EY, etc)

Not all license reviews (audits) carry the same legal weight and who the letter is from will determine how you respond to the request.

Does your Account Manager Know?

License audits as a rule must be approved by an Account Manager or Country Manager. The last thing a salesperson wants is for an audit to be called in the middle of a deal cycle or after the client has made a recent investment. Unless they want it too of course.

Inform your Account Manager of the audit and ask them to explain why you are being targeted and can it be cancelled. If you cannot get a cancellation look for a postponement of 6-12 months. You'll need this time to get prepared.

Type of IBM Audit

IBM don't like to use the word "audit" in their correspondence and prefer to use words like "selected" and "license review". The end results are the same, but it does lead to confusion among their clients.

If the letter makes specific reference to your agreement and the section that gives them rights to review your usage, then you are being formally audited.

It is worth noting that some (usually very large) organizations have negotiated the audit/review clause out of their agreement so this is worth double checking, you could be one of the lucky ones.



Single Point of Contact (SPC)

Before you make any communication to IBM you must elect a Single Point of Contact (SPC) from within your organisation. This person will represent the organisation in all interactions with the auditor. All requests from the auditor and information provided go through the SPC.

It is recommended that the SPC be at least one level removed from the senior manager addressed in the original letter to allow flexibility in negotiations later.

The auditor may include others (CC in email) in the conversation but no information should be exchanged without the SPC's express approval.

Confirm receipt and Conditional Support

A license audit letter is never going to be a welcome sight and it will be tempting to ignore it for a period, this would be a mistake. In your initial communications (via the SPC) you have an opportunity to set the tone and the ground rules for communication during the audit.

Confirm your receipt of the notice and your wish to cooperate with the audit. Let them know who your point of contact is and that all communication going forward should be through them. Let them know that you will revert to them after you have had time to consider the request and that you will be back to them with a date for the first call.

You have 30 days before you must engage with the auditor and it is easy to extend this further if required.

Inform Stakeholders

There will be several stakeholders within your organisation who should be informed as soon as possible that a vendor audit has been called. They may for part of the audit project later or may be called upon to support certain activities later. Stakeholders to include:

- Office of the CFO or CIO
- Procurement / Category Manager
- Risk and Compliance
- IT Infrastructure, the DBAs and System Administrators
- Software Asset Management (SAM)
- Legal
- IBM License Advisors

Information Management (lockdown)

Depending on the size of your organisation you will need to inform all staff that there is a vendor audit in progress and that all communication with IBM must go through the SPC. The communication lockdown applies to IBM Account Managers, resellers, consultants, IBM support and any other party affiliated with IBM.

This instruction must come from senior management to emphasize the seriousness.

No New IBM Deals

It must be made clear to IBM that this audit does not come without risk to them. This means that all negotiation across the entire organization related to the purchase of IBM products,



services and hardware are suspended until the audit is resolved. This should also be extended to any tenders that may be underway also.

Keep in mind that not all IBM Account managers will be rewarded by a deal coming from an audit and this may be included in your strategy later.

Initiate an Audit Defence Project

An IBM audit is a significant impact on the business. It will require time, resources, a budget and coordination. The full rigors of an IT project need to be applied if you are to reach a successful resolution with IBM. An audit defence project should be initiated.

IBM License Consultants

Your in-house team may not have the depth of experience, in certain areas, when it comes to defending an IBM audit. It is not their daily work. External license consultants with experience defending IBM audits should be engaged right from the start to avoid the common pitfalls and minimise the final settlement.

Conclusion

No organisation welcomes the disruption and potential unbudgeted expense an IBM license audit. The steps suggested in this document should give you confidence in your initial response to the auditor and establish a strong basis for your audit defence project.

An IBM audit is an unusual event for a business and can be costly if not managed correctly. Getting help in your preparation and negotiations can significantly reduce the final costs and will ultimately lead to a more satisfactory conclusion.

We can help your organisation in an IBM Audit! email us at info@LicenseHawk.com