

How Software Asset Management Enables Businesses to Meet Sarbanes-Oxley Requirements

Written by Microsoft in combination with Software Management Systems, Inc.

Abstract:

Well-governed IT departments recognize that the adoption of formal policies and procedures enables them to help their corporation meet Sarbanes-Oxley (SOX) requirements. Performing a Software Asset Management (SAM) consultation identifies these rigorous policies and procedures that have been prescribed by international authorities such as Control Objectives for Information and Related Technology (COBIT), IT Infrastructure Library (ITIL), and the International Organization for Standardization (ISO) 9000, as well as with practices found in well-run, well-governed companies. In this white paper we discuss how comprehensive SAM initiative enables businesses to meet their obligations under SOX and exceed corporate goals for IT governance.

Meeting Sarbanes-Oxley and IT Governance Goals through Software Asset Management

Conventional wisdom asserts that SOX is primarily focused on proper finance and has little to do with the IT department. Staying within the bounds of the Sarbanes-Oxley Act requires that all financial information is accurate, up-to-date, and completely verifiable. Ultimately, it's the IT department and its systems that are responsible for generating, supporting, and maintaining that information. It is those same systems that will ensure the validity and availability of that data. Becoming compliant with SOX and staying there demands that organizations evaluate their internal controls and demonstrate their effectiveness through proper fiscal reporting.

But the role of the IT department in staying compliant with SOX goes well beyond the financial reporting. A company with a comprehensive SAM plan is able to deal with myriad issues that could arise under SOX. SAM enables management to understand its software assets and to gain control over licensing. SAM helps prevent an inadvertent breach of privacy by securing database integrity and enhancing network security. SAM helps regulate application change management and plan inventory purchases, which saves money. These are all hallmarks of well-governed, well-run organizations.

In addition, businesses of all sizes benefit financially from having IT governance in place. Research shows that:

- Businesses are 20 percent more profitable than similar firms with poorer governance.
- Investors pay 14 to 22 percent more for well-run, well-governed companies.
- Top-rated corporate governance companies consistently return more than triple the profits to investors than that of lower-rated companies over 3, 5, and 10 years.

Benefits Software Asset Management Has on Meeting Sarbanes-Oxley Requirements

• A better understanding of assets as well as enhanced peace of mind

The underlying principles behind the Sarbanes-Oxley Act of 2002 are to ensure that managers fulfill their responsibilities to protect shareholder interests and build trust.

"Management's primary responsibility is to protect the company's assets and utilize them appropriately and efficiently," says Marsha Murry, COO of Software Management Systems, Inc. "In order to meet the letter as well as the spirit of Sarbanes-Oxley, management needs to understand their assets, including their investments in technology."

There is an adage that says, "If you can count it, you can manage it." A comprehensive SAM initiative gives management the means to understand its software assets and how these assets are being utilized in the organization.

Additionally, once a comprehensive SAM plan is implemented, company employees are better informed of their responsibilities and obligations. They know what is expected of them, which provides senior management with greater peace of mind.

• The ability to effectively control assets

By maintaining thorough SAM initiatives, companies can track what software is on their computers and realize a better understanding of their software packages. A SAM implementation organizes the paperwork and summarizes in one place the documentation of software assets so the company knows at a glance where software titles reside. This gives businesses greater control over their software assets and how each can be used.

For example, when an employee leaves the company or moves to another department, management can remove the installation and use the license for another employee. It can harvest licenses and repurpose them, adjusting to fluctuations in business cycles.

- **Helps protect databases and enhances network security**

SOX prescribes that companies control activities feeding into financial reports. The information contained in a SAM plan allows IT managers to know and control what software is on each hard drive and what software could pose a threat to database integrity and network security. With this knowledge, they can prevent unauthorized programs or users from inadvertently tapping into protected information and private databases. Financial data and any software that accesses financial systems can be monitored and preventive action taken if necessary. Although not specifically related to SOX, privacy and database integrity of protected customer or client information by federal laws, such as the Health Insurance Portability and Accountability Act (HIPAA) and Gramm-Leach-Bliley (GLBA), can be assured when someone is paying attention to software that is being installed or downloaded and guarantees that lock-downs are enforced through administrative rights.

In addition, a properly implemented SAM regimen helps IT managers keep track of workflow processes. Because they have a record of the software on each computer, there is now an audit trail for measuring and monitoring access.

- **Enhanced application change management**

One source of significant deficiencies and material weaknesses attributable to IT is application change management. Configurations change radically and frequently. Computers get reassigned. Employees move to different departments. This all costs money. The cost of IT waste amounts to \$100 to \$150 billion in the United States and \$500 billion worldwide.

SAM recommends the creation and maintenance of computer profiles (software installed on each computer) and user profiles (software titles each user

is permitted to access). Consequently, managers can monitor and track the software changes as they occur. IT managers now have a means to regulate what goes on company computers. They can also remove suspect programs and potentially insidious code that can threaten network security.

- **Better planning of inventory purchases, upgrades, and new releases**

Software is a significant expense for most organizations. SOX dictates businesses safeguard their financial assets. A well-executed SAM implementation enables the company to plan for and consolidate purchases. By consolidating purchasing, planning budgets in advance, and anticipating upgrades or agreement expirations, businesses right-size their investment in software, ultimately saving money. According to Gartner, companies using SAM processes are better at matching organizational needs to software licenses thus reducing software costs by 6 to 10 percent.

Murry comments, "SAM helped one client to gain much better control over purchases. Instead of running to the finance department on the eve of agreement expirations seeking big checks to renew software contracts, they turned the situation around. By anticipating upcoming expirations, they were able to advise the controller of projected expenses. The controller was happier because he now could plan cash flow better. It was a win-win all the way around. The IT department enabled the finance department to plan cash flow better. They now had a handle on when purchases were to be made and could pinpoint their expenditures. Better understanding of requirements and timing led directly to a better managed organization."

A comprehensive SAM initiative helps reduce exposure to risk of unexpected costs. A vendor audit revealing discrepancies must be addressed immediately. Unanticipated costs drive the cost of business upward. A comprehensive SAM initiative can reduce the element of surprise.

• The benefits of automating SAM

One of the most compelling and frequent recommendations for remediation of significant deficiencies and material weaknesses under SOX is automation. Automating SAM functions can be a boon to make certain controls are in place to regulate what gets put on company computers and how they are being used.

Tools are available that count hardware and copies of software installed on that hardware. Some of the tools are fully loaded with functionality and databases where companies can add their licensing documentation. They can compare their license entitlements to the installations periodically to make sure they are properly licensed.

In addition, many tools have the capability of monitoring usage, which helps companies to properly forecast their obligations. In the case of Microsoft and other publishers, companies can enter into a Volume Licensing Agreement that fits their situations, allowing them to take advantage of higher discount levels.

Usage monitoring enables companies to understand what software packages are being used and what software is unnecessary for some employees. Companies can save money by only buying titles or licenses for computers that are needed. Companies that have implemented system profiles of both the computers in use and the employees who use them find this feature especially useful.

Summary

SAM can help keep your company compliant and within the new responsibilities outlined in SOX. SAM streamlines your IT and purchasing departments by helping them to better plan inventory purchases, upgrades, and new releases. It establishes and maintains a thorough and secure library of your software assets and licenses, helps prevent inadvertent breach of privacy by protecting databases and improving network security, enhances application change management, and can mitigate situations where significant deficiencies attributable to IT have been cited.

A proper SAM plan makes good business sense and keeps your organization within the bounds of the law and one step ahead of your competition.

Sources

Peter Weill and Jeanne W. Ross, *IT Governance: How Top Performers Manage IT Decision Rights for Superior Results*, Harvard Business School Press, 2004.

Global Investor Opinion Survey on Corporate Governance, McKinsey Company, 2003.

GMI 2004 Governance and Performance Analysis, Governance Metrics International, Inc., March 2005.

Mark Jeffery and Ingmar Leliveld, "Best Practices in IT Portfolio Management," *MIT Sloan Management Review*, Spring 2004

"Fixing the Corporate-IT Disconnect," *Harvard Business Review*, Charlie S. Feld and Donna B. Stoddard, March 15, 2004; Gartner Group.

Microsoft Software Management

SAM is a process to help your company optimize your technology investments. The benefits of SAM are real and widespread. Knowing what you have, acquiring only what you need, and using your software assets effectively at every stage of their life cycle are strategic business practices that businesses of all sizes should employ to realize benefits. These benefits include cost savings, enhanced security, and enhanced employee productivity and satisfaction. For additional information, including free tools and resources, visit www.microsoft.com/sam.

Partner Information

Software Management Systems, Inc. approaches SAM from the perspective of how it fits into a total IT governance picture. It offers a best practices approach and a comprehensive initiative of SAM that encompasses policies and procedures, baseline inventory, license position statement, employee training and communications, disaster recovery and resiliency and business continuity, and the top significant deficiencies and material weaknesses attributable to IT found in 2005 financial reports.

Its founders have managed software and licenses since 1980 and during that time were responsible for millions of dollars worth of software assets. Software Management Systems has experience serving at the "C-level" and on the boards of directors of medium and small businesses. Out of these experiences, we recognized a need to enable executives to understand their software assets. Software Management Systems, Inc. was founded in 2000 to enable executives and boards to incorporate IT governance into their oversight activities. For additional information, visit www.swmanagementsystems.com.

© 2006 Microsoft Corporation. All rights reserved. This brief is for informational purposes only. MICROSOFT MAKES NO WARRANTIES, EXPRESS OR IMPLIED, IN THIS SUMMARY. Microsoft is a registered trademark of Microsoft Corporation in the United States and/or other countries. All other trademarks are property of their respective owners. Part Number: 098-105789