

# Oracle Audit Defense Management

## Executive Summary

Oracle remains among the top five vendors for software audits, along with Microsoft and IBM. In this whitepaper we will provide a step-by-step process for Oracle Audit defense management, but first we will address some of the most common questions concerning Oracle software audits.

It often comes as a complete surprise when senior executives receive official audit letters from Oracle. Without the right expertise, it's difficult to understand the causes, effects, and proper ways to respond. This whitepaper can help serve as a guide to the process, and help to prevent critical mistakes from being made.

## Frequently Asked Questions

### What gives Oracle the right to audit?

Software is intellectual property owned by the vendor. Oracle has every right to audit its customers' use of their software products. They retain ownership of the software, and its customers are just licensing it, as one would lease a car or office space

Specifically, it's the software license audit clause in Oracle software licensing agreements (SLAs). The main audit clause governing Oracle SLAs is usually found in the Terms & Conditions (T&Cs) of the first signed Oracle agreement. These audit clauses may provide details on the scope, timing, methods and types of audits which Oracle is entitled to perform, as well as the customer's obligations for cooperation and compliance. At the very minimum, they provide the basic expectations they have of the client during an Audit as well as expected response time.

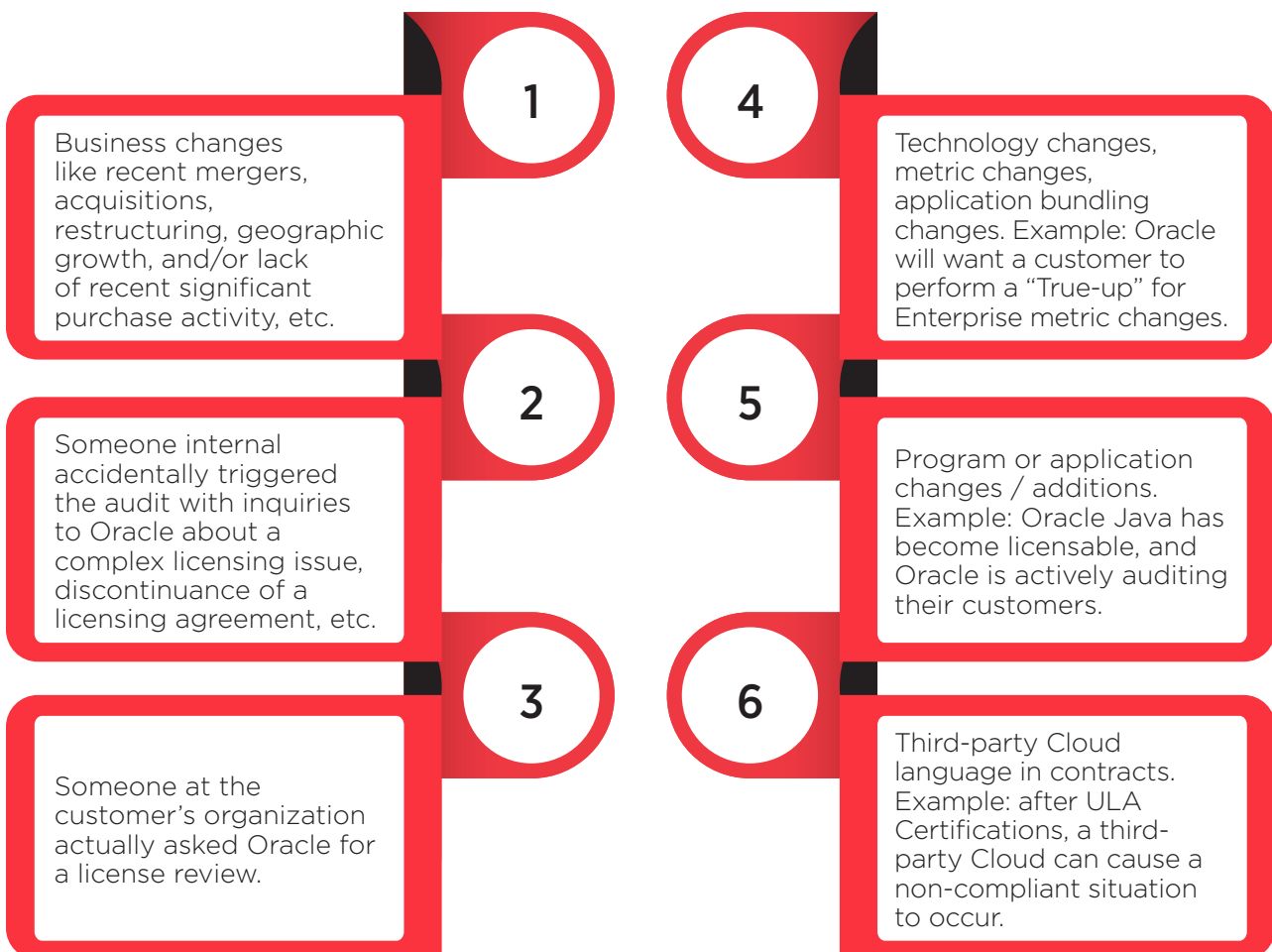
### Why does Oracle audit its customers?

The main reason is that software publishers are protecting their intellectual property. Another reason is to capture more legitimate revenue, because most organizations inadvertently fall out of license compliance to some degree. License true-ups usually mean additional revenue for the vendor. According to IDC, almost 75% of software vendors believe their customers do not manage software license entitlements effectively or properly.

**Customers do not manage software license entitlements effectively or properly, according to 75% of software vendors.**

### What triggers an audit?

There are many causes for being audited by Oracle:



## Managing Your Oracle Audit

Now that you understand the “what,” the “why” and the “why me” behind Oracle audits, let’s address the more important issue of how to successfully manage your (inevitable) Oracle audit.



### Pre-Audit

The first thing to understand is whether Oracle has asked for a formal audit. This is important, because Oracle may initiate informal reviews from time to time. For example, an Oracle account manager may suggest that you might have some licensing gaps and Oracle would like to help. They may even use the word “audit.” This is not a formal audit.



### Formal Audits

Typically, an official audit letter from Oracle’s License Management Services (LMS) department is the most common indication of a formal audit. Letters from other Oracle departments are probably not an audit notice, but simply an inquiry into your enterprise assets, for a variety of reasons. However, even an informal audit can involve the LMS department and require some type of settlement, or it can lead to a full formal audit.

Note that:

Oracle GLAS / LMS will require that the customer use their LMS Portal. They will request a significant amount of data and detail, including worksheets to be completed (Oracle OSW), scripts to be run, commands run such as PowerCLI, and even request screenshots.

Oracle can audit all environments where Oracle is running, such as production (on-premise and Cloud), non-production (Dev/Test/QA, etc.), DR (Standby, Failover, HA, etc.), Oracle Database, Fusion Middleware and/or Oracle Applications environments can all be included in an audit.

Oracle may request details from non-Oracle environments if virtualization is used and an Oracle environment is located within the same virtualized environment as non-Oracle programs. Example: hardware and shared storage information for your virtual servers will be requested from all servers, which includes Oracle and non-Oracle.

Customers are advised to follow security best practices when providing any 3rd party with sensitive data.

## Step-by-Step Audit Response

**To ensure the best possible outcome, its highly critical to contact a software license management expert before answering the audit letter.**



### Step 1: Negotiate Terms

The very first thing to do after the demand for a formal audit letter arrives is to validate Oracle's right to audit the specified items. This is spelled out in the T&Cs of your SLAs. There should be rules and limits to the process, schedule and scope of audits, negotiated by your legal/ IT team in your original T&Cs. Before responding, try to determine if there is any wiggle room, a defined scope for audit and cost parameters. To ensure the best possible outcome, its highly critical to contact a software license management expert before answering the audit letter.



### Step 2: Form Your Audit Team

Be sure to include appropriate experts from legal, IT and the C-suite. And, if you don't have someone on staff with comprehensive, historical knowledge of Oracle's tendencies, preferences and ongoing licensing changes, hire an outside expert. An Oracle expert can help you save money and optimize your licensing portfolio by negotiating the best T&Cs for you in the first place, and by helping you navigate the intricacies of the Oracle audit process after the formal audit letter arrives.



### Step 3: Proof of Ownership

Collect and review all Oracle SLAs, and other renewal or procurement documents for proof of ownership. Oracle will want to review these items and this paper trail will facilitate the audit process.



### Step 4: Self-Audit

It's very important to be fully aware of your licensing situation, including any shortfalls, before the formal audit, so be sure to perform a thorough self-audit that parallels Oracle's license compliance assessment. Insure that only those that require access to applications are given access to applications, along with any corresponding Oracle rules regarding particular license metrics.

If you don't have someone on staff with comprehensive, historical knowledge of Oracle's tendencies, preferences and ongoing licensing changes, hire an outside expert.



### Step 5: Analyze Self-Audit Results

When reviewing the self-audit results, be sure to note how various enterprise modifications might have impacted Oracle licensing. Do your SLAs still conform to current business practices? Although potential violation areas are numerous, as any modification can impact Oracle licensing, pay special attention to potential areas of challenges and misunderstandings:

- Test servers: e.g., inadvertently taking software from brand new development to production without additional licensing
- eBusiness user metrics and application user counts: double and multiple counting of the same user during audits are a typical oversight
- Software or hardware upgrades
- Disaster recovery process
- Backup and Restore processes
- Internet, intranet and extranet access
- Transfers of data to and from a system
- Merger and acquisition changes
- Geographic expansion
- Use of server virtualization (hardware and software)
- Confirm your Java use
- Third-party Cloud use
- Unplanned use of options or packs to which licenses were never purchased
- Transitioning all or a portion of your internal solutions to a Cloud service or Third-Party hosting site
- Use of Proprietary Application Hosting (apps used by your clients)

**CAUTION:**

Do not judge the state of your license compliance based on Oracle technical white papers! Terms such as failover, standby and backup have meanings that differ between Oracle's technical teams and Oracle licensing teams, which affect how an enterprise should license. There are various Oracle Policy documents that can be used as licensing guidelines, but those are clearly about the topic of licensing and not written from a technical perspective. There are Oracle whitepapers that use the term "failover" in a general industry meaning, but actually explain a configuration that Oracle considers to be a "Standby" data recovery method from a software licensing perspective. The licensing requirements of "failover" and "standby" data recovery methods are very different.

**Do not judge  
the state of  
your license  
compliance  
based on Oracle  
technical white  
papers!**

**Step 6: Formulate a Plan of Action**

The odds of finding your organization to be 100% compliant after a self-audit are slim. You'll probably find several areas where you are either under-licensed or over-licensed, so get ready to cooperate and negotiate with Oracle. Licensing issues are not usually black and white, and situations vary from company to company in terms of how Oracle interprets "compliance."

Unfortunately, SLA violations can cost hundreds of thousands, or even millions of dollars to true-up, depending on the size of your Oracle estate. Oracle will also go after clients for past use even if you currently no longer use the software in the same way, as previously installed software can leave a trail. They want to protect their intellectual property, but they also value your business.





### Step 7: Prepare for Next Time!

Your next Oracle audit will undoubtedly come sooner than you think. As with any audit, whether it's the IRS or Oracle, it's always best to adhere to the official Boy Scout motto of always be prepared.

It's important to remember that you are responsible for keeping track of the constant changes that Oracle makes to its licensing rules. Oracle does not issue notifications for any licensing policy changes or send you a newsletter with important updates.

The best way to avoid non-compliance fees arising from Oracle audits is to utilize proactive software license management practices, including regular self-audits and the use of experts to help you keep aware of the continuous changes to Oracle's licensing rules, or any other software. Proactive management of software assets can reduce costs by avoiding both over and under-licensing. Average savings are usually about 30% the first year when a good IT asset management strategy is implemented, according to Gartner.

## Conclusion

Being audited by Oracle can be an unexpected disruption to business activities, and the process can last over a year. Penalty fees can reach upwards of millions of dollars. To achieve the most positive outcome, and resolve the matter in the fastest way possible, the best strategy is to closely monitor your assets, licenses and Oracle's policies. If you are unsure of your situation, or have received an audit letter, contact a software license management expert as soon as possible, ideally before you respond to any audit letter.