



CONTRACT COMPLIANCE SERVICES

Software End-User License Reviews

ADVISORY

Software vendors are facing increased challenges in the marketplace. Falling prices, increased competition, and a general slowdown in growth rates have all combined to shrink margins and reduce revenue. As a result, many software vendors are looking for additional ways to strengthen their bottom lines. And one of the most obvious answers is to take a new look at licensing compliance among end users.

Today, many software vendors suspect that they aren't gaining a full return on their licensing agreements. In many cases this is due to inaccurate or misinformed selfreporting by licensees. The software vendor's basic right to monitor for compliance is typically provided for in existing software license agreements, so the question becomes how to implement stronger licensing compliance processes—without jeopardizing important ongoing customer relationships.

That's where KPMG's Software End-User License Reviews team comes in.

Part of our Contract Compliance Services (CCS) practice, this team of professionals can help you monitor software license compliance so that you recover more of the licensing fees you are owed. This also can lead to

increased current and future licensing and maintenance revenue as well as offer greater insight into how customers actually use the software.

[An Approach Designed to Improve the Bottom Line – and More](#)

A recent study indicated that more than half the customers of a large software vendor were noncompliant. This can often be traced to the relative ease of copying and distributing software, poor record keeping, erroneous installation, or even poorly written or highly complex license agreements. Regardless of the causes, noncompliance can have a devastating effect on a software vendor's bottom line.

Equally important is the impact these issues can have on a software company's efforts to comply with the regulations of Sarbanes-Oxley section

404 (S-O 404). That's because underreported revenue can indicate a failure of the financial reporting controls that S-O 404 requires.

KPMG's dedicated professionals can help you address these issues by performing compliance reviews of your licensees' contractual obligations. We also assist you by providing comments on license agreements through our team's identification of compliance issues uncovered in your customers' businesses. You then can design remedial contract language to address these identified risks for use in future license agreements. Finally, we do this with a nonadversarial approach that focuses on the business relationship. This helps maintain – and can even improve – relationships with licensees since it helps reduce the tension and mistrust that often build up in selfreporting relationships.

Benefits That Extend Across Your Organization

This approach, when combined with our deep industry experience, offers a closer look at most aspects of your licensing process, which can help identify potential problems, establish more effective controls, and improve software license monitoring.

Strategic benefits include:

- Increasing current revenue
- Generating future licensing and maintenance revenue
- Offering a better understanding of how customers use software
- Establishing customers' actual hardware and software use
- Providing opportunities to enhance customer data
- Helping improve relationships with customers
- Demonstrating good corporate governance
- Educating customers on software obligations to help reduce future noncompliance,
- Generating additional business development opportunities

We Deliver Value

As a result of their industry knowledge, our compliance professionals can help our clients monitor costs and improve processes by identifying:

- Undisclosed use of related-party advertisers that charge excessively high fees
- Expenditures for unauthorized items such as personal benefits to agency employees
- Nonplacement of advertisements
- Inappropriate calculations of total service costs
- Expenditures through unauthorized media or locations
- Risk areas for contract noncompliance

- Use of unproductive advertising dollars
- Enhanced contract terms and conditions

And while these types of process improvements can have a direct effect on the bottom line, they also can benefit a company in other ways. For example, discovering inaccurate reporting can help with Sarbanes-Oxley section 404 (S-O 404) compliance efforts, because it helps demonstrate that effective financial reporting controls are in place.

In addition, establishing these types of processes can often strengthen the relationships between our clients and their advertising agencies. That's because we use a nonadversarial approach that helps reduce the tension and mistrust that can often underlie self-reporting relationships.

The KPMG Difference

Gaining the full value that is due from contracts is clearly a chief concern for today's companies – in terms of enhancing income, reducing costs, and meeting S-O 404 compliance issues. Fortunately, KPMG's Contract Compliance Services is well positioned to help. In fact, our CCS offers companies a number of key advantages, including:

- Significant experience. Our dedicated partners and professionals have deep industry experience in helping companies around the world increase revenue or reduce costs as well as resolve complex relationship and contracting issues.
- Understanding of partner relationships. We recognize the dynamics in business relationships and work in a nonadversarial way to help business

partners understand the terms of their agreements. We also help establish compliance reviews as routine control measures.

- Proven methodologies and approach. Our approach reflects our leading practices and enables us to provide detailed work plans that focus on the specific environment and underreporting evaluation.
- Help where you need us. Our CCS teams are able to tap into KPMG International's network of member firms to provide contract compliance professionals wherever – and whenever – you need them.

Greater value from contracts. Better protection of contractual rights. More effective financial reporting controls. Improved relationships with key business partners. Industry-specific experience. And a dedicated practice. These are just some of the reasons why companies around the world turn to KPMG's Contract Compliance Services professionals. Every day.

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