

ITAMs: You Too Need to be Budget Savvy

Financial Management and the IT Asset Manager

Financial Management has a strong overall control on all daily business functions. Those financial decisions have shaped the business activities that we accept as part of our daily work, yet don't normally have a profound impact on the physical workload unless you happen to be the one elected to make those financial decisions. Are you the one directing a staff of personnel on the proper nuances of financial basics, principles and priorities? Yes, you very well could be. Through years of diligent labors and noted organizational accomplishments, you now find yourself in charge of the Financial Management for your department. You are now **RESPONSIBLE** for the Financial Management of your department! The realization can be an exciting and possibly a frightening experience.

Financial responsibility for an individual can indeed be a nerve wracking proposition considering who your reporting chain of command is. The weight of your department's financial burden rests squarely on your shoulders, and you know that if the financial matters within your department go south, you can easily be relieved of your newly acquired position. You also know that your CFO is at times, very hard to please and relatively short on patience. You need a plan.

Now is the time to gather your thoughts. You probably weren't thrown unknowingly into this position. You have earned it through learning the specifics of Financial Management and drawing upon your experiences; you have proven yourself. As such, you were promoted to this very important position. About the only factor that has changed is that you are now the director of other people's movements to accomplish the same tasks that you have at some time in the past completed yourself. You are also now in the position to make appropriate changes to enhance your department's financial standing. It's time to formulate that plan. Planning is so very important. It has been said many times that "failure to plan is planning to fail"; a very true statement indeed.

The foregoing is a scenario that is not uncommon. Initial fears followed by a tension relieving realization that the answers are there and readily available. As in most situations, a focused and methodical plan will smooth the transition to accomplishment. The same holds true within the IT Asset Management community. The overall goal is to achieve a greater value for your organization by means of Financial Management orchestration.

Since this is an article and not a course of instruction, we

will briefly cover several important topics within Financial Management that IAITAM considers best practice for the ITAM community at large.

Step 1: Save the organization money wherever possible. (A financial program that has been ineffectively run will have countless money savings opportunities.) Look for the "low hanging fruit"; those cost saving opportunities that are easily identified and correctible in a short time frame. You must also embrace the fact that the financial IT Asset Management process area entails many people and departments across your organizational enterprise, and are a key part of your Asset Management program. A strong relationship with the Accounting Manager, Acquisitions Manager, Asset ID Manager, stakeholders, and several other entities is imperative.

Financial IT Asset Management is the backbone of savings within your ITAM program from invoice reconciliation, to budgeting and beyond. It will soon become apparent through day to day operations that many activities within the Financial Management process will be recurring functions such as:

- Invoice reconciliation
- Chargeback
- Forecasting
- Budgeting
- Billing
- Financial audit preparation

The 6 functions listed above all represent savings opportunities, especially if you are operating at any level of ineffective Financial Management. In addition to these activities, the financial IT Asset Management discipline must support a strategic view of IT spending. IT spending is part of the overall budget and must support the total growth of the enterprise and must, as such, be optimized. **This process area requires that baselines are developed for each asset category and then continually reviewed for both cost competitiveness and strategic fit.**

Step 2: Initiate a plan on how to accomplish step 1. Find those savings! A very good example comes to mind that will prove that savings are available if you just take the time to dissect your current activities and processes. Even well run financial processes can present savings opportunities if you dig deep enough.

The following is an email that IAITAM received from a CSAM class attendee just two business days after completing the CSAM course and certification. This person is not a Financial Manager, yet did take the initiative to find the “low hanging fruit” that was readily available for the taking. IAITAM takes pride in presenting the following:

“From my current support contracts with DEC, I compared serial numbers on the contract renewals, against what was in the parts warehouse and found \$42,755.39 in un-needed support per year. By auditing all the many DEC support agreements, I found duplicate serial numbers that were actually typographical errors and saved another \$20,000 per year.

On our SGI support agreements, I was able to combine several months into a single agreement, deleted the repetitive media that was required to be on each single contract, and negotiated a 6% site discount and saved \$14,000 per year.

By talking with the users and system admin folks I found unused programs that no longer needed support. This cut out another \$11,555.00. Total (savings) per year is \$88,310.39. Over our 5 year contract, \$441,551.95 that doesn't need to be spent.”

This is a person who was enlightened through IAITAM’s focused education (a two day course) and learned of opportunities to find those savings which equated to huge organizational value. The savings listed represent a **documented ROI of 80 times the cost of the training program**. That is a strong investment by any measure.

The savings listed in the foregoing email were finite and specific to that organization. For most organizations, the same holds true that invoice reconciliation can be a leading and most lucrative hard dollar savings opportunity in the IT Asset Management Program. Invoice errors occur in numerous areas: billing errors, double-billing for products or services, maintenance and support on products which are no longer in use, and support-level inaccuracies. The larger the organization, the bigger the chance that money is being lost. Invoice Reconciliation can also be the leading risk avoidance activity in IT Asset Management. The ability to locate all invoices and reconcile against products in use or warehoused will minimize exposure to compliance issues. For a complete reconciliation, ensure that:

- All invoices are compared with all owner products
- All invoices are checked for accuracy
- All invoices are requested, located and procured
- All invoices are properly stored
- All Invoices are compared to the fixed asset list

Listed below are some of the specific benefits that can be derived from proper invoice reconciliation:

- Owned products can be identified
- Over-billing can be minimized
- Invoices can be located quickly



- All invoices are accurate when stored
- Both the invoices and fixed asset list match and are accurate
- Invoices are prepared, checked and stored properly in the event of a compliance audit
- A report can be given to the IT Asset Manager to determine which products are used or not used and a software resource pool can be completed

Another way to increase income and reduce expenses is to initiate a chargeback system. If the IT Department is in charge of the IT assets (owns) and supplies other departments with assets, instead of loaning assets to other departments, charge an appropriate dollar figure to the departments that are using the assets. Much like leasing to another department, chargeback will allow the cost of the product or service to be distributed among departments, provide accurate tracking of departmental spending on assets, track maintenance, support issues and costs as well as providing an increased ROI.

Now that steps 1 and 2 have largely been recognized, understood, and possibly acted upon, several other aspects of Financial Management need to be addressed. These are the recurring functions that are the foundation of Financial Management, such as forecasting. The forecasting process entails taking the historic data we have, and analyzing that data to anticipate the needs of our future. A simple example would be to take the historical spend data, which we know that we have spent X amount of \$ per year, and add the average increase which has been x% per year. Then you add in any projects that are currently scheduled for the upcoming time period. This is basic forecasting.

There are countless factors that will affect financial forecasting. Some more common variables include: product supply and demand, component and product production capability, product availability, logistics, work force availability, sourcing of vendors, products and personnel,

availability of capital, market trends, local and global economy, organizational leadership changes, litigation, even the skyrocketing price of fuel. The list could continue for another page. The fact remains that all of the items listed are variables that do exist and must be accounted for in some way while forecasting a budget.

The ITAM plays a critical role in financial forecasting, and the financial forecasting is so very important to the proper functioning of the IT Department. How much money the ITAM will be allocated, as well as any projects or technological refreshes, etc., all hinges on the idea that the ITAM will have the money to perform those actions. The ITAM is the one who normally has the final say on the IT Department's forecast and therefore has the responsibility of controlling the forecasting model for the IT Department.

Budgeting falls directly into line with forecasting. After all, what is the forecast really for? It is intended to accurately (within reason) decide on a budget. Though budgeting has been a common practice for years, recent research and improvements in forecasting methods have enhanced the accuracy and reliability of the budgeting process. Additionally, the ITAM also needs to know not only the budget for the IT Department, but also the budget for all the other respective business units the ITAM program supports. Knowing the budgets will help facilitate the ability to support and provide services through the IT Department. Budgeting also assists in the generation of the service catalogue and

other various internal support drivers.

Since budgeting and forecasting are so closely related, and so many variables need to be included in the process, we will consider the forecast and budget information shown above as a brief overview and move directly into the billing process.

The billing process also includes justification. Together, it is the Billing Model Justification Process. Just as you and I want to know exactly what we are being billed for, the same holds true for billing practices within every organization.

Justifying the billing model allows the IT Department to properly perform their duties as the service and support of an organization without having any interference due to unnecessary monetary issues. The justification generates the executive buy-in and it helps to reduce the discretionary spending of respective business units. The justification of the billing model is simply defined as the step-by-step process that details the workflow within the model that yields the result of a line-by-line explanation of the cost for support and service for each billed entity.

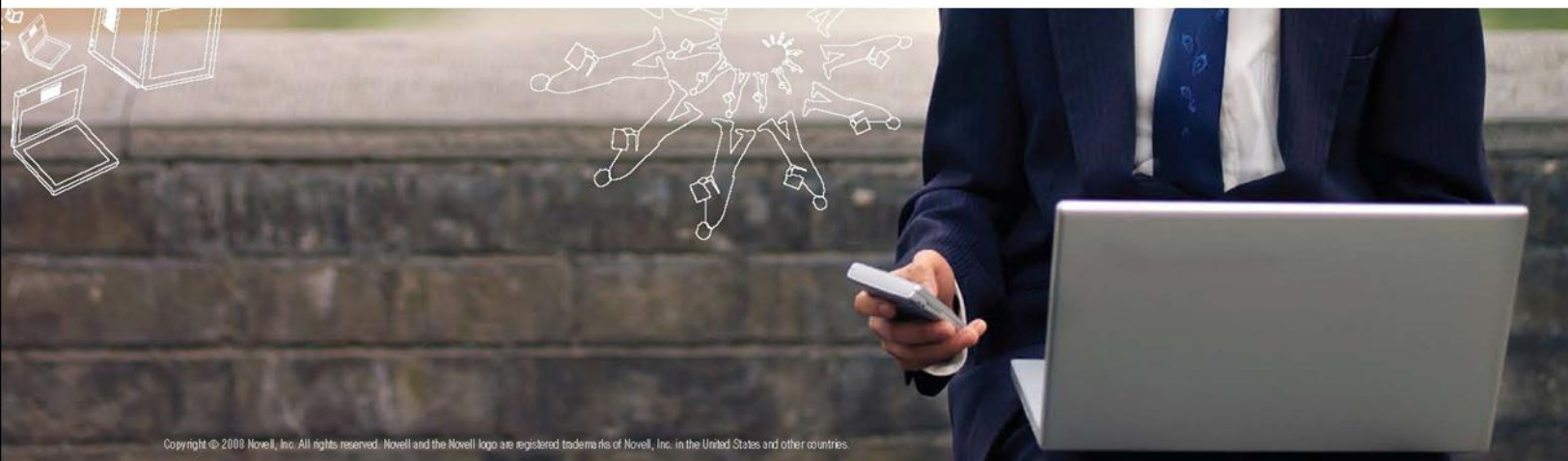
The importance of billing and payment justification can not be over stressed. We have established that justification for billing is mandatory and on the other side of the spectrum is the importance of tracking the payment stream. An accurate accounting of what has been paid for and why, will prevent double or even triple payments and unnecessary late charges due to late or non-payments. This is another area where interaction with other departments, specifically accounts

Making IT work as one. It's what sets us apart.

At Novell, we're taking interoperability to a whole new level. We believe every person, every partner and every piece of your mixed IT world should work as one. Our Enterprise-wide Linux, Identity and Security Management, Systems Management, and Collaboration solutions easily integrate with almost any IT infrastructure. With Novell, you can lower cost, complexity and risk on virtually any platform and make your IT work as one.

www.novell.com

Both #17 **Novell.**
Making IT Work As One™



receivable and accounts payable, are necessary for the correlation of current and accurate financial information.

The tracking of all billing and payments is also part of the audit process. Today more than ever, accountability for all financial transactions is a mandated standard. It is very important that all personnel even remotely involved in the audit process must be fully committed to improving Financial Management and accountability.

The overall objective of the IT financial audit, especially pertaining to IT assets, is an expression of an opinion on whether the financial statements are fairly presented, in all material respects and in conformity with the accounting principles generally accepted as industry standard.

Your audit preparation should be focused on results that should be within or will provide for the following criteria:

- Create a non-biased opinion
- Be of minimal disruption
- Produced in a timely fashion
- Quantify value
- Create and use internal controls and documentation
- Develop pre-audit controls for testing
- Systems documentation verified
- Audit mock-up preparation
- Design analytical review procedures
- Identify key business metrics

Remember that the size of an organization will dictate the physical make-up of personnel and their responsibilities. Regardless of team size and composition, the standards and expectations will remain the same. The fact that an organization may be understaffed will not lessen the impact of audits. Accountability is fully expected.

One positive aspect of an audit is that it is not a surprise what the auditors want to see. Audits exist to assess how well a business unit or program meets the performance goals of the organization. Accordingly, the ITAM goal in auditing is to demonstrate how well operations, controls, and results meet the needs of the organization. Additionally, auditors will want to see that planning, direction, monitoring, reporting, etc. do show strong management principles. Well documented policies and procedures will be expected, as well as proof of adherence to those policies and procedures. There are many more audit expectations that need to be supplied and proven by the organization, all of which can be found in volume 7 (Financial Management) of the IAITAM Best Practice Library (IBPL).

Of equal importance is what auditors do not want to see. A brief list would include: piles of disorganized analysis and unkempt documents, managers who can't or won't be accountable for their actions, interviews with defensive or



uninformed managers and executives, etc.

Audits are an important part of proper Financial Management. Whether the audit is internal or external, the same goals apply. The audit team is looking for evidence that the business governance program is well organized and well managed. Financial data collection, retention and report programs must also specifically and traceably mitigate risks related to key business objectives and provide the avenue to not only justify but to show the value of the tools and services IT asset management provides.

As stated earlier, savings opportunities exist throughout the Financial Management process. Audits are no exception, due to the fact that an ill-planned financial program can cost organizations huge amounts of time and money if they are not prepared, or they are not following the expected guidelines.

In the overall, Financial Management is an integral part of every organization's existence. Within the standard practices, there are checks and balances that have been formulated to produce optimal Financial Management processes. By following these set processes and being ever vigilant to savings opportunities, the true value of an organization can better be achieved and maintained.

Dan Ingouf
Content Development Manager
IAITAM