

Microsoft Partner Audit Program

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Q1 FY19

Compliance Program

1a) Not all Representative Questionnaire responses were accurate

████ provided the following responses to questions in the FY18 Microsoft Representative Questionnaire:

| Audit Comments | ████ comments & Action |
|--|---|
| <ul style="list-style-type: none">•The completion of an anti-corruption risk assessment (Question 5.2) – █████ indicated that it “performs a periodic anti-corruption risk assessment to identify, assess, and prioritize key compliance risk mitigation or remediation needs.” However, █████ did not share evidence regarding performance of the anti-corruption risk assessment. | <ul style="list-style-type: none">• Assessment is ready and we will share it with the employee within 2 week. <p>Action Next time █████ will make sure to answer the questions accurately.</p> <ul style="list-style-type: none">• Owner : Noor Daghlas• Timeframe : 21st of April 2019 |
| <ul style="list-style-type: none">•Performing due diligence procedures for third parties to evaluate their legitimacy and reputation for integrity (Question 6) – █████ indicated that it “performs due diligence procedures for third parties to evaluate their legitimacy and reputation for integrity”. However, █████ did not share evidence of the activities performed in relation to third-party due diligence. | <p>Action : █████ have now a 3rd party procedure in place available . The 3rd party procedures of █████ will include █████ internal 3rd party due diligence and MS 3rd party vetting process.</p> <p>- The 3rd party policy will be communicated for █████ employee by this date 21st of April 2019</p> <p>Next time █████ will make sure to answer the questions accurately.</p> <p>Owner : Noor Daghlas</p> |

Sales Orders

2a) Discount not passed through to End Customers

For 3 out of 7 sample enrollments subject to discount pass through requirements, the full amount of the discounts was not passed through to the End Customers and the total amount charged above the passthrough ceiling is USD 5.58M.

| Sample # | Agreement Number | Enrollment Type | Enrollment Effective Date | Primary Customer Name | Total ERP# | Total Net Price | Total Net Discounted Price | Total Discount | Total Pass Through Ceiling | Total EC Price | Amount Above Pass Through Ceiling | [REDACTED] comments & Action |
|----------|------------------|-----------------|---------------------------|-------------------------------|-----------------------------|-----------------|----------------------------|----------------|----------------------------|----------------|-----------------------------------|--|
| | | | | | A | B | C | D (B-C) | E (A-D) | F | G (E - F) | |
| EN_12 | 70958663 | EA | 1-Mar-17 | Kuwait Oil Company | \$35,358,732 ¹⁻⁴ | \$31,457,326 | \$28,988,760 | \$2,468,567 | \$32,890,165 | \$38,430,685 | \$5,540,521 | • Please refer to the attached email. |
| EN_06 | 57862582 | EA | 1-Mar-14 | Kuwait Oil Company | \$155,880 | \$155,664 | \$143,220 | \$12,444 | \$143,436 | \$158,945 | \$15,509 | • This is an old case , we are not able to get full information about this case • - [REDACTED] is assuring , implementing Microsoft discount pass through to all customers. |
| EN_15 | 84487902 | EA | 1-Jan-15 | Touristic Enterprises Company | \$535,067 | \$500,225 | \$423,134 | \$77,091 | \$457,976 | \$481,424 | \$23,448 | • customer were fully aware about the discount value which applied to the initial prices that were communicated with the customer through email. The customer already signed the discount Transparency disclosure Form. |
| Total | | | | | | | | \$2,558,102 | \$33,491,577 | \$39,071,054 | \$5,579,478 | |

Sales Orders (contd.)

2b) Multi-tier transactions without Microsoft approval

For 1 out of 16 sample enrollments, █████ used an additional Reseller, █████, for sales of licenses to █████ without a **third party billing amendment**. Based on discussions with management, the End Customer would only issue the PO to CPT Computer Company and not directly to █████ because of their relationship with the Reseller.

| # | Enrollment | End Customer | PO Issued By | Sales Date | Total Deal Value (as Per CPS in USD) | Discount Offered | SOE | Remarks | █████ comments & Action |
|---|------------|--------------|----------------------|------------|--------------------------------------|------------------|-----|--|---|
| 1 | 68704053 | █████ | CPT Computer Company | 23-Jun-17 | \$626,761 | 23.28% | Yes | Contract between the End Customer and the reseller was made available and it appears that the discount was passed through to the End Customer. | <p>This was before Microsoft announce the third party multi tier policy</p> <ul style="list-style-type: none">• Action : We will Make sure █████ will follow the Multi tier policies• Owner : Noor Daghlas |

Sales Orders (contd.)

2c) Order placed with Microsoft prior to receiving End Customer Purchase Order

In 4 of sample 16 enrolments, orders were placed with Microsoft prior to receiving the approved End Customer Purchase Order or signed agreement with the End Customer.

| # | Enrollment | End Customer (MS Sales) | Sales Amount (USD) | Order Type | Basis for placing the order | Sales Date | PO Date/ Signature Date on Agreement | Days Before PO Date/ Signature Date | Transaction Reversed | MS PO# | comments & Action |
|-------------|------------|-------------------------|--------------------|------------|-----------------------------|------------|--------------------------------------|-------------------------------------|----------------------|--------------------|--|
| 1 | 66360660 | | \$8,033 | Add-on | Customer signed letter* | 24-Mar-16 | 17-May-16 | 54 | No | 15617a | There are 2 POs here for the same case, the second PO was a replacement and cancelation for the first PO There are 2 POs and 15617a 1- 1 st PO received and processed with MS in Feb under PO# 15617. 2- Then in March, Customer sent letter to cancel order#15617 and replace the SKU (PO#15617a). 3- KIFAS provided us with the official PO later |
| 2 | 72240674 | | \$724,461 | New order | Award letter** | 21-Jun-16 | 14-Jul-16 | 23 | No | PR18550 PR18545 | we processed the renewal order based on the Award letter. The Award letter was a purchase commitment , then the contract has been signed by the customer and shared with us in July-17 |
| 3 | 4824877 | | \$72,493 | True-up | Verbal | 29-Jun-17 | 2-Jul-17 | 3 | No | 19756 | we have process the order passed on customer email as a purchase commitment, The customer sent us an official PO on a later date based on some internal process. |
| 4 | 52191562 | | \$117,157 | True-up | Verbal | 30-Jun-15 | 1-Jul-15 | 1 | No | PR15719 | Customer requested to submit the order until they provide us with the PO |
| | 52191562 | | \$94,722 | True-up | Verbal | | | | | 14080 TU | Action: We will make sure not to process any order to MS unless we have a proper Purchase commitment from the customer including product, Quantity, Price and Date. |
| | 52191562 | | \$125,090 | New order | Verbal | | | | | 14080 N | |
| Total Sales | | | \$1,141,956 | | | | | | | | |

Sales Orders (contd.)

2d) Delay in placement of orders with Microsoft

For 14 out of 16 sample enrollments, there was a delay of more than five business days between the date of receipt of the End Customer order and order submission to Microsoft.

| Comments |
|--|
| <p>Note: some of the information mentioned in the following table not accurate and we have comment with the correct information, and some of them we have exceed the 5 days because of customer internal process.</p> <p>We will assure to take below action for any future order.</p> <p>Action:</p> <p>We will make sure to process any order within 5 days prior of receiving the official PO and all other related document from the customer. (Example payment documents)</p> |

| # | Enrollme nt # | End Customer | External PO # | Invoice # | Sales Amount (USD) | PO Date/ Date of Agreement Sign Off | Sales Date | Delay Beyond 5 Working Days | comments & Action |
|----|------------------|--------------|---------------|------------|--------------------------|--|------------|--------------------------------------|--|
| 1 | 91603180 | | 14063 | 9823248766 | \$57,186 | 28-Feb-15 | 30-Jun-15 | 87 | This order was process with MS within 5 days |
| | | | 14063 | 9823250416 | \$710,254 | 28-Feb-15 | 30-Jun-15 | 87 | |
| 2 | 84487902 | | 17025A | 9824903305 | \$1,536 | 1-Jun-16 | 18-Aug-16 | 57 | This order was process with MS within 5 days |
| | | | 17025 | 9824864943 | \$21,766 | 1-Jun-16 | 9-Aug-16 | 50 | |
| 3 | 52948931 | | PR21694 | 9825875752 | \$35,065 | 5-Apr-17 | 29-May-17 | 39 | There was a payment issue with the customer. |
| | | | PR21694A | 9825875753 | \$89,160 | 5-Apr-17 | 29-May-17 | 39 | |
| 4 | 68631143 | | 16922 | 9824878408 | \$219,407 | 28-Jun-16 | 11-Aug-16 | 33 | It was a renewal and the Agreement Anniversary date was August-16 but the contract was signed by the customer before. project was for MS and Non-MS, Microsoft error; order submitted in 16-1 but there was a MS error so they re submit the order in 1-2-18 |
| | | | 16921 | 9824878409 | \$163,050 | 28-Jun-16 | 11-Aug-16 | 33 | |
| | | | 19657 | 9826038573 | \$23,427 | 22-May-17 | 4-Jul-17 | 32 | |
| 5 | 66360660 | | 21225Aa | 9876617591 | \$309 | 24-Dec-17 | 1-Feb-18 | 29 | 16-feb the PO was still with Ooredoo |
| 6 | 4824877 | | 18807 | 9825641468 | \$6,237 | 14-Feb-17 | 22-Mar-17 | 27 | The mentioned date of the contract was based on the agreement end date but they signed it mid of Jan, and we have an email from TEC sent by 15-1-18 asking for bilingual contract. |
| 7 | 84487902 | | PR23708 | 9876598188 | \$23,757 | 31-Dec-17 | 26-Jan-18 | 20 | There was a payment issue with the customer. |
| | | | PR23708A | 9876598189 | \$117,288 | 31-Dec-17 | 26-Jan-18 | 20 | |
| 8 | 52948931 | | 20180 | 9826204097 | \$13,184 | 7-Aug-17 | 27-Aug-17 | 15 | There was a payment issue with the customer. |
| 9 | 66360660 | | 20124 | 9826185730 | \$578 | 1-Aug-17 | 17-Aug-17 | 13 | Internal process |
| 10 | 72533910 | | PR16898 | 9823958020 | \$89,911 | 10-Dec-15 | 23-Dec-15 | 10 | This order was process with MS within 5 days |
| | | | PR16899 | 9823958021 | \$17,886 | 10-Dec-15 | 23-Dec-15 | 10 | |
| | | | PR21614 | 9825845426 | \$204 | 4-May-17 | 16-May-17 | 9 | |
| 11 | 4824877 | | 16587 | 9824647441 | \$61,320 | 6-Jun-16 | 15-Jun-16 | 8 | Internal process |
| 12 | 55418803 | | 19715 | 9826033285 | \$17,359 | 18-Jun-17 | 2-Jul-17 | 10 | This order was process with MS within 5 days |
| | | | 19715A | 9826033286 | \$55,205 | 18-Jun-17 | 2-Jul-17 | 10 | |
| 13 | 57905560 | | 21015A | 9876477146 | \$42,667 | 7-Dec-17 | 21-Dec-17 | 11 | The customer decided to pending the order until they confirm the usage country if it will be for KW or KSA |
| | | | 21015 | 9876477147 | \$32,000 | 7-Dec-17 | 21-Dec-17 | 11 | |
| 14 | 60014255 | | 14003 | 9823215852 | \$19,318 | 16-Jun-15 | 24-Jun-15 | 7 | There was a payment issue with the customer. |
| | | | 14005 | 9823221531 | \$15,204 | 16-Jun-15 | 25-Jun-15 | 8 | |
| | | | 14005N | 9823221532 | \$4,848 | 16-Jun-15 | 25-Jun-15 | 8 | |
| | | | PR21410A | 9825769428 | \$54,378 | 17-Apr-17 | 26-Apr-17 | 8 | |
| | | | PR21410 | 9825769429 | \$18,203 | 17-Apr-17 | 26-Apr-17 | 8 | |

Incentives

3a) Inadequate Proof of Execution (“POE”) submitted for ECIF expenses claims

For all 5 samples reviewed, █████ did not share information such as timesheet records of █████ employees, project plans, final work products, meeting invites or minutes of meetings conducted with the End Customer with respect to the projects executed. In the absence of these documents, we were unable to complete the audit procedures.

| # | PO Number | PO Date | Purchase Order Value (USD) | Invoiced Amount (KWD) | Project Name | End Customer Name | Remarks | comments & Action |
|-------------|-----------|-----------|----------------------------|-------------------------|---|-------------------|---|--------------------------------------|
| 1 | 97683302 | 19-Oct-16 | \$100,000 | KWD 30,290 | Alshaya Change Management | | Internal records of client meetings, work products and time spent by employees not provided | The required documents are available |
| 2 | 96758396 | 22-May-15 | \$33,750 | KWD 10,196 ¹ | Public Authority for Applied Education and Training FY15 O365 Adoption Offer Deployment | | | The required documents are available |
| 3 | 97677409 | 24-Nov-16 | \$19,000 | KWD 5,743 | Ooredoo Kuwait | | | The required documents are available |
| 4 | 96920653 | 11-Jun-15 | \$14,000 | KWD 4,229 ¹ | FY15 Starter – KOC Azure | | | The required documents are available |
| 5 | 97795153 | 16-Jan-17 | \$10,000 | KWD 3,064 | FY17-Mazaya-Azure | | | The required documents are available |
| Total Value | | | \$176,750 | | | | | |

Action: We have now all ECIF documents available for any future Audit.

Owner: Noor Daghlaz

Other – Use of Microsoft Logo

4a) Microsoft logo used on [REDACTED] proposals to End Customers

| Audit Comments | [REDACTED] comments & Action |
|--|---|
| <p>Channel Partner Agreement entered into between Microsoft and Licensing Solution Providers (“LSP”) allows LPS to use Microsoft’s corporate name, technology names and trademarks in plain text (but not logos, trade dress, designs or word marks in stylized form).</p> | <ul style="list-style-type: none">• Action Completed, [REDACTED] employees will not use Microsoft Logo any more.• Owner : Noor Daghlas |
| <p>Upon review of customer proposals submitted by [REDACTED] (attached to End Customer POs), we noted that the Microsoft logo was used by [REDACTED] without indicating itself as a Microsoft Partner. Screenshots of two of these instances noted are as below:</p> | |