

Microsoft Partner Audit Program



Saudi Arabia

Q4 FY19

Audit Scope

1

Sales Orders

- Discount Pass Through & Transparency
- End Customer Commitment
- Order Submission Accuracy & Completeness (SKU's, quantities, customer name)
- Academic/Government/Charity Pricing Eligibility
- Multi-Tier Approval

2

Incentives

- End Customer Investment Funds(ECIF) Proof of Execution (POE)
- Marketing Development Fund (MDF) POE

Audit Period

Transactions processed from July 01, 2017 – March 31, 2019

Audit Details

Audit Firm: PwC

Onsite Dates: May 19 – May 23, 2019

Summary of Results

1

Sales Orders

- a) Discounts were not passed through for three (3) out of 12 enrollments sampled with a total of \$35.7K above the Maximum Resale Price
- b) Discount pass through could not be validated in five (5) out of 12 enrollments
- c) Orders placed without End Customer Commitment in six (6) out of 12 enrollments
- d) Non-compliance with Change of Channel Partner (COCP) terms and conditions in three (3) out of 12 enrollments
- e) Additional resellers were involved in three (3) of 12 enrollments sampled without Microsoft approval and the execution of Third-Party Billing amendments

2

Incentives

- a) Inadequate Proof of Execution was provided for one (1) of two (2) sample ECIF projects

Sales Orders

1a) Discounts not passed through to End Customers

For three (3) out of 12 sample enrollments, [REDACTED] billed End Customers a total of \$35,774 above the Maximum Resale Price for the enrollments.

Enrollment Number	Enrollment Type	Sales Date	End Customer Name	Total ERP A	Total Net Price B	Total Net Discounted Price C	Total Discount D (B-C)	Maximum Resale Price E (A-D)	Total EC Price F	Amount Above the Maximum Resale Price H (E - F)
91710202	EAS	29-Apr-17	[REDACTED]	\$180,670	\$174,351	\$156,928	\$17,423	\$163,246	\$186,667	\$23,419
75320464 ²	EA	31-Dec-17	[REDACTED]	\$563,760	\$544,752	\$491,292	\$53,460	\$510,300	\$518,544	\$8,244
76280445	EA	7-Dec-17	[REDACTED]	\$336,600	\$324,720	\$276,012	\$48,708	\$287,892	\$292,003	\$4,111

¹ All values have been converted at the rate of 1 USD = 3.75 SAR

² All figures are for year 1 as partner has neither received any PO nor invoiced the end customer for 2nd year.

Sales Orders

1b) Discount pass through could not be validated

For five (5) of 12 sample enrollments, complete End Customer pricing information was not provided and therefore we were unable to determine whether the related discounts were passed through. We requested [REDACTED] to obtain end customer purchase order, contract, invoicing and payment proof from the additional resellers, however after multiple requests and follow ups during the audit, these documents were not made available.

Enrollment Number	Type of Enrollment	Sales Date	End Customer Name	Reseller name	SOE or Gov	Total ERP A	Total Net Price B	Total Net Discounted Price C	Total Discount D (B-C)	Maximum Resale Price E (A-D)	Reseller Price	Total EC Price
87990339* ¹	EA	20-Mar-18	[REDACTED]	[REDACTED]	Gov	\$ 41,667,151	\$34,934,342	\$21,240,439	\$13,693,903	\$27,973,248	\$25,110,372	Unknown
56761938* ¹	EA	30-Mar-18	[REDACTED]	[REDACTED]	Gov	\$20,955,600	\$17,153,519	\$13,723,024	\$3,430,495	\$17,525,104	\$15,559,595	Unknown
88352673 ¹	EA	09-Jun-15	[REDACTED]	ACS	SOE	\$5,116,839	\$4,851,588	\$4,198,662	\$652,926	\$4,463,912	\$4,156,620	Unknown
74305406 ¹	EA	08-May-18	[REDACTED]	[REDACTED]	Gov	\$661,099	\$549,684	\$495,990	\$53,693	\$607,405	\$495,944	Unknown
64064574 ²	EA	26-May-16	[REDACTED]	[REDACTED]	Gov	\$284,811	\$239,664	\$215,713	\$23,951	\$260,860	\$260,000	Unknown

- All figures are inclusive of uplift amount.

¹ All the deals were placed through ACS and later COCP was done as ACS was terminated. Documents to evidence end customer commitment were not collected by the new partner on record.

² Order was placed through an additional reseller (unauthorized) and documents to evidence end customer commitment were not collected by the partner on record.

Sales Orders

1c) Orders placed without collection of End Customer Commitment

For six (6) of 12 sample enrollments, end customer commitment documentation (Contract, purchase order, invoices, payment proofs.) was not collected by [REDACTED]

As explained by [REDACTED], for 5 of the 6 enrollments, the related orders were placed by a former reseller and the related end customer commitment was not collected by [REDACTED] prior to order submission. We requested [REDACTED] to obtain end customer Purchase Order, contract, invoicing and payment proof from the reseller as part of the audit, however after multiple requests and follow ups during the audit, these documents (end customer and reseller contract) were not made available for review.

Enrollment Number	Type of Enrollment	Sales Date	End Customer Name	Reseller name	SOE / Gov	Total ERP A	Total Net Price B	Total Net Discounted Price C	Total Discount D (B-C)	Maximum Resale Price E (A-D)	Reseller Price	Total EC Price
87990339	EA	20-Mar-18	[REDACTED]	[REDACTED]	Gov	\$ 41,667,151	\$34,934,342	\$21,240,439	\$13,693,903	\$27,973,248	\$25,110,372	Unknown
56761938	EA	30-Mar-18	[REDACTED]	[REDACTED]	Gov	\$20,955,600	\$17,153,519	\$13,723,024	\$3,430,495	\$17,525,104	\$15,559,595	Unknown
88352673	EA	09-Jun-15	[REDACTED]	[REDACTED]	SOE	\$5,116,839	\$4,851,588	\$4,198,662	\$652,926	\$4,463,912	\$4,156,620	Unknown
74305406	EA	08-May-18	[REDACTED]	[REDACTED]	Gov	\$661,099	\$549,684	\$495,990	\$53,693	\$607,405	\$495,944	Unknown
64064574	EA	26-May-16	[REDACTED]	Computing Ways Ltd & Jawraa	Gov	\$284,811	\$239,664	\$215,713	\$23,951	\$260,860	\$260,000	Unknown
75320464 ¹	EA	31-Dec-17	[REDACTED]	[REDACTED]	Gov	\$563,760	\$544,752	\$491,292	\$53,460	\$510,300	NA	\$518,544

¹ End customer issued PO for First year only. End customer had some internal issues and raised new Tender and they are still awaiting PO

Sales Orders

1d) Non-compliance with Change of Channel Partner (COCP) terms and conditions

COCP (Change of Channel Partner) forms were signed between end customer, Arabic Computer Systems Ltd (ACS) and [REDACTED], which replaced ACS as the new LSP for three (3) deals, however ACS continued to collect from the end customers even after signing the COCP. ACS has placed the orders to [REDACTED], which in turn placed the order with Microsoft basis the PO received from ACS.

Enrollment #	End Customer	Erstwhile LSP	Sales Date	COCP Date	Order value	Discount	Additional Remarks	Anniversary billing through ACS	True-up billing through ACS
56761938	Ministry of Health - MOH	ACS	30-Mar-18	24-Dec-17	\$13,723,024	\$3,430,495	Even after signing COCP, ACS continues to the contract with end customer and bills the customer	a	NA
88352673	National Water Company	ACS	26-Sep-17	22-Jun-17	\$1,399,554	\$652,926	Even after signing COCP, ACS continues to the contract with end customer and bills the customer	a	-
74305406 ¹	Ministry of Commerce & Industry	ACS	3-May-18	29-Mar-18	\$495,990	\$53,693	Even after signing COCP, ACS continues to the contract with end customer and bills the customer	a	-

¹ True up order was not placed through ACS but unauthorized additional reseller [REDACTED]

Sales Orders

1e) Involvement of additional resellers without Microsoft approval

For three (3) of 12 sample enrollments, additional resellers were involved without Microsoft approval and the execution of a Third-Party Billing amendment. As explained by the **Exceed IT services**, they were not aware about the approval requirement from Microsoft for the involvement of additional resellers.

Enrolment #	End Customer Name	Gove or SOE?	Additional Reseller Name	Sales Date	Order Value	Discount
64064574	[REDACTED]	Gov	[REDACTED]	26-May-16	\$71,904	\$7,984
			[REDACTED]	1-Oct-16	\$71,904	\$7,984
74305406	[REDACTED]	Gov	[REDACTED]	8-May-18	\$254,030	\$53,693
87990339*	Ministry of Interior – MOI	Gov	ACS	20-Mar-18	\$21,240,439	\$8,355,176

Incentives

2a) Inadequate Proof of Execution (POE) provided for ECIF projects

For 1 (one) of 2 (two) sample ECIF projects, [REDACTED] did not share information such as timesheet records of [REDACTED] employees working on the project, project plans or copies of the deliverables. In the absence of these documents, we were unable to verify the completion of the project.

PO Number	PO Date	PO Amount	Invoiced Amount	End Customer Name	Gov or SOE?	Project Deliverables Summary	Documentation Provided	Documentation Not Provided
98398694	25-Jun-18	\$2,000	\$2,000	[REDACTED]	No	To give the customer a workshop on azure and office 365. It includes introduction of O365, azure to customer, giver customer knowledge and guidance on how to adopt such technologies.	End Customer acknowledgment	<ul style="list-style-type: none">• Meeting invites• Workshop agenda• Workshop training content• Workshop attendee listing