

TRAVEL AND ENTERTAINMENT EXPENSE ANALYSIS

Summit Digital Solutions, Inc.

For the Period: January 1, 2023 - December 31, 2023

Prepared: January 9, 2024

1. EXECUTIVE SUMMARY

This analysis examines the travel and entertainment ("T&E") expenses incurred by Summit Digital Solutions, Inc. ("Company") during fiscal year 2023. The review was conducted in accordance with corporate policy guidelines and applicable regulatory requirements, including IRS Publication 463.

2. SCOPE OF ANALYSIS

1. The analysis covers all T&E expenses recorded in the Company's financial systems for:
 - Domestic and international business travel
 - Client entertainment and business development
 - Corporate events and team meetings
 - Training and conference attendance
 - Executive travel
2. Review Period: January 1, 2023 through December 31, 2023
3. Data Sources: Concur expense management system, American Express corporate card statements, and general ledger entries

3. EXPENSE BREAKDOWN

1. Total T&E Expenses: \$4,875,000
 - Air Travel: \$1,950,000 (40%)
 - Lodging: \$1,462,500 (30%)
 - Meals & Entertainment: \$731,250 (15%)
 - Ground Transportation: \$487,500 (10%)
 - Other Expenses: \$243,750 (5%)
2. Geographic Distribution
 - Domestic (U.S.): 65% (\$3,168,750)

- International: 35% (\$1,706,250)
- EMEA: 20% (\$975,000)
- APAC: 10% (\$487,500)
- Americas (ex-U.S.): 5% (\$243,750)

4. POLICY COMPLIANCE

1. Expense Policy Adherence

- 96% of expenses properly documented with receipts
- 98% compliance with corporate travel booking policy
- 94% adherence to per diem limits
- 99% compliance with required approvals

2. Notable Exceptions

- Three instances of business class travel without executive approval
- Five cases of lodging expenses exceeding daily limits
- Two instances of entertainment expenses lacking attendee documentation

5. BUSINESS PURPOSE ANALYSIS

1. Primary Expense Categories

- Client Project Implementation: 45%
- Business Development: 25%
- Training & Conferences: 15%
- Internal Meetings: 10%
- Administrative Travel: 5%

2. Key Business Activities

- Digital transformation project deployments
- Peak Performance Platform implementations
- Industry conferences and trade shows
- Client relationship management
- Team training and development

6. EXPENSE TRENDS AND PATTERNS

1. Quarterly Distribution

- Q1 2023: \$1,121,250 (23%)
- Q2 2023: \$1,365,000 (28%)
- Q3 2023: \$1,219,375 (25%)
- Q4 2023: \$1,169,375 (24%)

2. Year-over-Year Comparison

- 2022 Total T&E: \$4,125,000
- 2023 Total T&E: \$4,875,000
- Increase: 18.2%

7. RISK ASSESSMENT

1. Identified Risks

- Currency exchange exposure on international expenses
- Potential tax compliance issues for cross-border travel
- Documentation gaps in entertainment expense reporting

2. Risk Mitigation Measures

- Implementation of automated receipt validation
- Enhanced approval workflows for international travel
- Quarterly compliance audits
- Updated T&E policy training

8. RECOMMENDATIONS

1. Policy Updates

- Implement stricter controls on business class travel
- Enhance documentation requirements for client entertainment
- Update per diem rates for high-cost international locations

2. Process Improvements

- Integrate corporate card data with expense management system

- Implement automated policy violation alerts
- Enhance mobile receipt capture capabilities
- Strengthen approval workflow controls

9. CERTIFICATION

The undersigned hereby certifies that this analysis has been prepared based on the Company's books and records and fairly presents the T&E expenses of Summit Digital Solutions, Inc. for the period indicated.

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Summit Digital Solutions, Inc.

Date: January 9, 2024

10. DISCLAIMERS

This analysis is confidential and proprietary to Summit Digital Solutions, Inc. It has been prepared for internal use and M&A due diligence purposes only. The information contained herein is subject to change and may not be relied upon for any other purpose without the express written consent of the Company.