

FINANCIAL COMPLIANCE AUDIT REPORT 2023

Summit Digital Solutions, Inc.

Prepared by Grant Thornton LLP

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

Report Date: January 15, 2024

1. EXECUTIVE SUMMARY

This Financial Compliance Audit Report presents the findings of our comprehensive review of Summit Digital Solutions, Inc.'s ("Company") financial controls, compliance procedures, and regulatory adherence for the fiscal year 2023. The audit was conducted in accordance with Generally Accepted Auditing Standards (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards.

1.1 Audit Scope

- Internal control systems and financial reporting processes
- Revenue recognition practices and contract compliance
- Expense management and authorization procedures
- Treasury operations and cash management
- Tax compliance and reporting
- SOX compliance (where applicable)
- Technology systems and financial data security

1.2 Key Findings Summary

The Company maintains effective internal control over financial reporting with no material weaknesses identified. Minor recommendations for enhancement are detailed in Section 4.

2. FINANCIAL CONTROL ENVIRONMENT

2.1 Control Framework Assessment

The Company utilizes the COSO Internal Control Framework, demonstrating mature control environments across:

- Control Environment
- Risk Assessment

- Control Activities
- Information and Communication
- Monitoring Activities

2.2 Key Control Metrics

- Control effectiveness rate: 96.8%
- Issue remediation timeline: Average 12.3 days
- Policy compliance rate: 98.4%
- System access controls: 99.9% compliance

3. DETAILED AUDIT FINDINGS

3.1 Revenue Recognition

The Company appropriately implements ASC 606 revenue recognition standards across its digital transformation service offerings:

3.1.1 Contract Review

- Reviewed 127 customer contracts
- Verified proper revenue recognition timing
- Confirmed appropriate allocation of transaction prices
- Validated performance obligation identification

3.1.2 Revenue Streams Analysis

- Enterprise AI/ML Implementation: \$34.2M
- IoT Systems Integration: \$28.7M
- Process Automation Services: \$15.3M
- Consulting Services: \$9.3M

3.2 Financial Reporting Controls

3.2.1 General Ledger Management

- Automated reconciliation processes implemented
- Segregation of duties confirmed
- Journal entry approval workflows verified
- Chart of accounts structure validated

3.2.2 Financial Close Process

- Monthly close cycle: 7 business days
- Reconciliation completion rate: 99.7%
- Supporting documentation compliance: 100%
- Review procedures adequately documented

4. COMPLIANCE FINDINGS AND RECOMMENDATIONS

4.1 Areas of Excellence

Robust contract management system

Automated revenue recognition workflows

Strong segregation of duties

Comprehensive audit trail maintenance

Effective third-party risk management

4.2 Areas for Enhancement

4.2.1 Minor Findings

Purchase order approval thresholds require updating

Vendor management documentation needs standardization

User access review frequency can be increased

4.2.2 Recommendations

Implement enhanced PO approval matrix

Standardize vendor onboarding documentation

Quarterly user access reviews recommended

5. REGULATORY COMPLIANCE

5.1 SOX Compliance

- Section 302 requirements met
- Section 404 controls effective
- No material weaknesses identified
- Documentation standards maintained

5.2 Tax Compliance

- Federal and state filing obligations met
- International tax requirements satisfied
- Transfer pricing documentation current
- Sales tax compliance verified

6. TECHNOLOGY SYSTEMS AND SECURITY

6.1 Financial Systems

- Oracle NetSuite ERP implementation verified
- Automated controls functioning effectively
- System integration points validated
- Backup procedures confirmed

6.2 Data Security

- Financial data encryption standards met
- Access controls appropriately restricted
- Disaster recovery plans tested
- Cyber security protocols current

7. RISK ASSESSMENT

7.1 Risk Matrix

Risk Category Risk Level Control Effectiveness			
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Operational	Low	Strong	
Financial	Low	Strong	
Compliance	Low	Strong	
Technology	Medium	Adequate	

7.2 Risk Mitigation Strategies

- Continuous monitoring programs
- Regular control testing
- Employee training initiatives

- Policy review and updates

8. CERTIFICATION

Based on our examination, we certify that Summit Digital Solutions, Inc. maintains effective internal control over financial reporting and demonstrates substantial compliance with applicable regulations and standards.

9. DISCLAIMERS AND LIMITATIONS

This report is prepared solely for the use of Summit Digital Solutions, Inc. and its authorized representatives. No part of this report may be provided to third parties without prior written consent. The audit procedures performed provide reasonable, but not absolute, assurance regarding the Company's financial controls and compliance.

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