

FINANCIAL COMPLIANCE AUDIT REPORT

Summit Digital Solutions, Inc.

For the Period Ending December 31, 2023

Prepared by Ernst Wilson & Associates, LLP

Report Date: January 9, 2024

1. EXECUTIVE SUMMARY

This Financial Compliance Audit Report (the "Report") presents the findings of our comprehensive compliance audit of Summit Digital Solutions, Inc. (the "Company") for the fiscal year ending December 31, 2023. The audit was conducted in accordance with Generally Accepted Auditing Standards (GAAS) and applicable regulatory requirements.

1.1 Scope of Review

- Financial statements and accounting practices
- Internal control systems and procedures
- Revenue recognition policies
- Regulatory compliance frameworks
- Tax compliance and reporting
- Corporate governance structures

1.2 Key Findings Summary

The audit revealed substantial compliance with applicable financial regulations and accounting standards, with certain areas requiring enhanced controls as detailed in Section 4 of this Report.

2. AUDIT METHODOLOGY

2.1 Approach

Our audit methodology employed a risk-based approach, focusing on:

- Review of financial documentation and systems
- Interviews with key personnel
- Testing of internal controls
- Sampling of transaction records
- Verification of compliance procedures

2.2 Standards Applied

- Generally Accepted Accounting Principles (GAAP)
- Sarbanes-Oxley Act requirements
- AICPA Professional Standards
- Industry-specific regulatory requirements

3. FINANCIAL CONTROLS ASSESSMENT

3.1 Revenue Recognition

The Company's revenue recognition practices for its digital transformation services were found to be compliant with ASC 606. Key findings include:

- Proper documentation of performance obligations
- Appropriate timing of revenue recognition
- Adequate contract review procedures
- Compliant treatment of multi-element arrangements

3.2 Cash Management

Cash management controls were found to be robust, with:

- Appropriate segregation of duties
- Regular bank reconciliations
- Documented approval processes
- Adequate treasury management procedures

3.3 Accounts Receivable

AR processes demonstrate strong controls with:

- Regular aging analysis
- Documented collection procedures
- Appropriate allowance for doubtful accounts
- Systematic credit approval processes

4. COMPLIANCE FINDINGS

4.1 Material Findings

No material weaknesses in internal controls were identified during the audit period.

4.2 Significant Deficiencies

The following significant deficiencies were noted:

Project cost allocation procedures require enhanced documentation

Vendor management system requires additional control parameters

Authorization matrices need updating for recent organizational changes

4.3 Minor Deficiencies

Several minor deficiencies were identified:

- Delayed quarterly reconciliations in subsidiary systems
- Incomplete documentation for certain expense approvals
- Inconsistent application of new technology implementation procedures

5. REGULATORY COMPLIANCE

5.1 Corporate Governance

The Company maintains appropriate corporate governance structures, including:

- Regular board meetings with documented minutes
- Active audit committee oversight
- Updated corporate bylaws
- Documented conflict of interest procedures

5.2 Tax Compliance

Tax compliance was found to be satisfactory with:

- Timely filing of required returns
- Appropriate documentation of tax positions
- Regular review of tax planning strategies
- Adequate provision for tax liabilities

6. RISK ASSESSMENT

6.1 Primary Risk Areas

Key risk areas identified include:

- Rapid technology platform evolution
- Complex revenue recognition scenarios

- International expansion considerations
- Cybersecurity and data protection

6.2 Risk Mitigation Recommendations

We recommend:

Enhanced documentation procedures for technology implementations

Quarterly review of revenue recognition policies

Strengthened international compliance monitoring

Updated cybersecurity control framework

7. RECOMMENDATIONS

7.1 Immediate Actions

Update project cost allocation procedures

Implement enhanced vendor management controls

Revise authorization matrices

Strengthen documentation requirements

7.2 Long-term Improvements

Develop automated compliance monitoring tools

Enhance integration of financial systems

Implement additional control testing procedures

Expand staff training programs

8. CERTIFICATION

Based on our examination, except for the deficiencies noted in Section 4, the Company's financial compliance controls are operating effectively and in accordance with applicable standards and regulations.

9. DISCLAIMERS AND LIMITATIONS

This Report is provided solely for the use of Summit Digital Solutions, Inc. and its authorized representatives. The findings and recommendations contained herein are based on our examination of selected records and interviews conducted during the audit period. While we believe our findings to

be accurate, we make no warranties or guarantees regarding the completeness or accuracy of all information reviewed.

10. SIGNATURES

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