Journal Entry Testing Memo

Client	Meridian Capital Group (synthetic data)
Fiscal Year End	—
Period	FY2025 (Nov 2024 - Jun 2025)
Source Document	Meridian_Capital_Group_JE_FY2025
Reference	JET-2026-1120-934
Generated	20th November 2026
Prepared by (entered by user)	—
Reviewer (entered by user)	—
Status (entered by user)	Draft

Generated analytics, not reviewed by Paciolus. Not an audit, review, compilation or attestation. Prepared-by, reviewer and status fields are entered by the user.

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I. Scope

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Source ............... Meridian_Capital_Group_JE_FY2025
Period Tested ............ FY2025 (Nov 2024 - Jun 2025)
Total Journal Entries Tested ..................... 408
Tests Applied ..................................... 19
Data Quality Score ............................... 100%

Reporting Framework ... FASB (US GAAP) — default; no client or engagement was
linked to this run
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The automated journal entry testing procedures documented in this workpaper were performed on the General Ledger extract provided by management for the period under examination. These procedures are designed to identify potential data anomalies that may warrant further investigation by the engagement team. The analysis was performed with reference to the FASB Accounting Standards Codification and applicable professional auditing standards.

Proof Summary

Metric	Value
Data Completeness	100%
Column Confidence	98%
Tests Executed	19
Tests With No Exceptions Flagged	8
Items for Review	129

II. Methodology

The following automated tests were applied to the General Ledger extract with reference to professional auditing standards (PCAOB AS 2401: Consideration of Fraud in a Financial Statement Audit, ISA 240: The Auditor's Responsibilities Relating to Fraud):

Test	Tier	Description
Unbalanced Entries	Structural	Identifies journal entries where total debits do not equal total credits.
Missing Fields	Structural	Flags entries missing critical fields (account, date, or amount).
Duplicate Entries	Structural	Detects entries with identical account, date, and amount combinations.
Round Dollar Amounts	Structural	Flags entries at round dollar amounts that may indicate estimates or manipulation.
Unusual Amounts	Structural	Uses z-score analysis to identify statistically unusual amounts per account.
Benford's Law	Statistical	Tests first-digit distribution against Benford's Law expected frequencies.
Weekend Postings	Statistical	Flags entries posted on Saturdays or Sundays, weighted by amount. A Paciolus convention, not a test named by ISA 240.

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Test	Tier	Description
Month-End Clustering	Statistical	Flags months with >2.0x average daily volume in last 3 days. Also compares each month with the client's own other months (2 unusual).
Single-User High Volume	Statistical	Flags users posting >25% of all entries.
After-Hours Postings	Statistical	Requires timestamp data (date fields have no time component).
Sequential Numbering Gaps	Statistical	Flags gaps in sequential entry numbering that may indicate deleted entries.
Backdated Entries	Statistical	Flags entries where posting date differs from entry date by >30 days.
Suspicious Keywords	Statistical	Flags entries with descriptions containing audit-sensitive keywords.
Holiday Postings	Statistical	Flags entries posted on US federal holidays (calendar per 5 U.S.C. 6103). Testing postings made when offices are normally closed is a Paciolus convention, not a test named by ISA 240 or AS 2401. Columbus Day and Veterans Day are flagged LOW.
Reciprocal Entries	Advanced	Flags matching debit/credit pairs within 7 days (round-tripping indicator). Sprint 686: categorized as same_period / accrual_reversal / cross_month.
Just-Below-Threshold	Advanced	Flags entries just below approval thresholds and split transactions.
Account Frequency Anomaly	Advanced	Flags accounts with monthly posting frequency >2.5 std devs above normal.
Description Length Anomaly	Advanced	Flags entries with unusually short or blank descriptions vs account norms.
Unusual Account Combinations	Advanced	Flags journal entries with account pairings seen <=2 times.

Thresholds that differed from the Paciolus defaults

No saved setting (or per-run tolerance, where the tool accepts one) changed a threshold from the Paciolus default for this run.

Interpretive Context: The results presented herein reflect automated data analytics and are intended to support, not replace, professional judgment. Identified anomalies may indicate areas requiring additional inquiry but do not, in themselves, constitute evidence of error, fraud, or material misstatement. The engagement team should evaluate each flagged item in the context of the overall engagement risk assessment and perform corroborating procedures as deemed necessary under applicable professional standards.

III. Results Summary

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Composite Diagnostic Score ................. 26.0 / 100
Diagnostic Tier ................... ELEVATED (26.0/100)
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Diagnostic Score Scale: 0–10 = Low | 11–25 = Moderate | 26–50 = Elevated | 51–100 = High

Basis: automated flag density, raised where HIGH-severity flags warrant it — auditor judgment required per ISA 315. The score, its tiers and those floors are Paciolus conventions, not measures prescribed by any standard. The diagnostic tier is an indicator, not a risk assessment or a conclusion on internal control.

Raised to Elevated: 16 entries (3.9%) carry a HIGH-severity flag (1% or more).

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Entries Flagged (distinct entries) ............... 129
Flags Raised (one per test per entry) ............. 154
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Overall Flag Rate ............................. 31.6%
High Severity Flags ............................ 21
Medium Severity Flags ......................... 122
Low Severity Flags ............................. 11
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An entry flagged by more than one test is counted once in the flagged total and once per flag in the severity counts and in the CSV export (one row per flag).

Test	Flagged	Rate	Severity
Benford's Law	76	18.6%	HIGH
Holiday Postings	26	6.4%	LOW
Just-Below-Threshold	24	5.9%	HIGH
Month-End Clustering	8	2.0%	MEDIUM
Duplicate Entries	4	1.0%	MEDIUM
Unusual Amounts	4	1.0%	MEDIUM
Reciprocal Entries	4	1.0%	HIGH
Round Dollar Amounts	2	0.5%	LOW
Weekend Postings	2	0.5%	LOW
Suspicious Keywords	2	0.5%	MEDIUM
Unusual Account Combinations	2	0.5%	MEDIUM
Unbalanced Entries	0	0.0%	HIGH
Missing Fields	0	0.0%	MEDIUM
Single-User High Volume	0	0.0%	MEDIUM
After-Hours Postings	0	0.0%	LOW
Sequential Numbering Gaps	0	0.0%	MEDIUM
Backdated Entries	0	0.0%	MEDIUM
Account Frequency Anomaly	0	0.0%	MEDIUM
Description Length Anomaly	0	0.0%	MEDIUM

IV. Key Items Flagged

1. Benford's Law: 76 entries flagged (18.6%)

Suggested follow-up: Evaluate the most deviated digits for patterns of manual entry or estimation; consider targeted sampling of entries starting with those digits.

2. Holiday Postings: 26 entries flagged (6.4%)

Suggested follow-up: Cross-reference holiday entries to system access logs and the entity's authorized user list. Assess whether the posting time and user credentials are consistent with expected business operations. Escalate entries without valid business justification.

3. Just-Below-Threshold: 24 entries flagged (5.9%)

Suggested follow-up: Obtain approval documentation for each payment. Compare the approval threshold in the current AP policy to the threshold applied in the payment system. Determine whether the clustering of payments just below threshold on the same dates represents intentional threshold avoidance.

4. Month-End Clustering: 8 entries flagged (2.0%)

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A clustering rate above 8% in the final 3 business days of the month warrants inquiry into whether entries represent legitimate closing activity or potential period-end earnings management (ISA 240).

Suggested follow-up: Compare month-end entry volume to prior-period closing patterns. If the current period shows a statistically significant increase in month-end activity, perform targeted testing on the incremental entries with particular focus on revenue recognition and expense accrual timing.

5. Duplicate Entries: 4 entries flagged (1.0%)

Suggested follow-up: Inspect each duplicate entry pair and confirm whether the duplication represents a legitimate correction, a system posting error, or a potentially fraudulent duplicate transaction.

V. High Severity Entry Detail

Benford's Law (76 flagged)

JE #	Date	Account	Amount	Issue
JE-0002	2024-11-04	Rent Expense	$3,530.30	First digit 3 is overrepresented (18.6% vs expecte
JE-0002	2024-11-04	Cash - Operating	$3,530.30	First digit 3 is overrepresented (18.6% vs expecte
JE-0008	2024-11-11	Cost of Services	$3,840.24	First digit 3 is overrepresented (18.6% vs expecte
JE-0008	2024-11-11	Accrued Salaries	$3,840.24	First digit 3 is overrepresented (18.6% vs expecte
JE-0009	2024-11-12	Office Supplies	$358.16	First digit 3 is overrepresented (18.6% vs expecte
JE-0009	2024-11-12	Cash - Operating	$358.16	First digit 3 is overrepresented (18.6% vs expecte
JE-0021	2024-11-26	Software Expense	$3,155.24	First digit 3 is overrepresented (18.6% vs expecte
JE-0021	2024-11-26	Accounts Payable	$3,155.24	First digit 3 is overrepresented (18.6% vs expecte
JE-0023	2024-11-04	Accounts Receivable	$3,247.79	First digit 3 is overrepresented (18.6% vs expecte
JE-0023	2024-11-04	Subscription Revenue	$3,247.79	First digit 3 is overrepresented (18.6% vs expecte
JE-0033	2024-12-11	Cost of Services	$3,823.42	First digit 3 is overrepresented (18.6% vs expecte
JE-0033	2024-12-11	Accrued Salaries	$3,823.42	First digit 3 is overrepresented (18.6% vs expecte
JE-0034	2024-12-12	Office Supplies	$362.17	First digit 3 is overrepresented (18.6% vs expecte
JE-0034	2024-12-12	Cash - Operating	$362.17	First digit 3 is overrepresented (18.6% vs expecte
JE-0046	2024-12-26	Software Expense	$3,469.80	First digit 3 is overrepresented (18.6% vs expecte
JE-0046	2024-12-26	Accounts Payable	$3,469.80	First digit 3 is overrepresented (18.6% vs expecte
JE-0048	2024-12-03	Accounts Receivable	$3,083.51	First digit 3 is overrepresented (18.6% vs expecte

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JE #	Date	Account	Amount	Issue
JE-0048	2024-12-03	Subscription Revenue	$3,083.51	First digit 3 is overrepresented (18.6% vs expecte
JE-0052	2025-01-03	Rent Expense	$3,094.85	First digit 3 is overrepresented (18.6% vs expecte
JE-0052	2025-01-03	Cash - Operating	$3,094.85	First digit 3 is overrepresented (18.6% vs expecte

Showing 20 of 76 flagged entries. See CSV export for complete listing.

Reciprocal Entries (4 flagged)

JE #	Date	Account	Amount	Issue
JE-0083	2025-02-11	Cost of Services	$3,554.22	Matching cross-account pair: $3,554.22 within 0 da
JE-098	2025-02-11	Accrued Salaries	$3,554.22	Matching cross-account pair: $3,554.22 within 0 da
JE-098	2025-02-11	Cost of Services	$3,554.22	Matching cross-account pair: $3,554.22 within 0 da
JE-0083	2025-02-11	Accrued Salaries	$3,554.22	Matching cross-account pair: $3,554.22 within 0 da

Just-Below-Threshold (24 flagged)

JE #	Date	Account	Amount	Issue
JE-0017	2024-11-18	Salaries & Wages	$9,664.30	Amount $9,664.30 is 3.4% below $10,000 threshold
JE-0017	2024-11-18	Cash - Payroll	$9,664.30	Amount $9,664.30 is 3.4% below $10,000 threshold
JE-0037	2024-12-17	Cash - Operating	$9,876.09	Amount $9,876.09 is 1.2% below $10,000 threshold
JE-0037	2024-12-17	Accounts Receivable	$9,876.09	Amount $9,876.09 is 1.2% below $10,000 threshold
JE-0068	2025-01-24	Accounts Payable	$9,731.00	Amount $9,731.00 is 2.7% below $10,000 threshold
JE-0068	2025-01-24	Cash - Operating	$9,731.00	Amount $9,731.00 is 2.7% below $10,000 threshold
JE-0103	2025-03-04	Salaries & Wages	$9,595.95	Amount $9,595.95 is 4.0% below $10,000 threshold
JE-0103	2025-03-04	Cash - Payroll	$9,595.95	Amount $9,595.95 is 4.0% below $10,000 threshold
JE-0137	2025-04-17	Cash - Operating	$9,633.21	Amount $9,633.21 is 3.7% below $10,000 threshold
JE-0137	2025-04-17	Accounts Receivable	$9,633.21	Amount $9,633.21 is 3.7% below $10,000 threshold
JE-0185	2025-06-13	Professional Fees	$4,881.18	Amount $4,881.18 is 2.4% below $5,000 threshold
JE-0185	2025-06-13	Accounts Payable	$4,881.18	Amount $4,881.18 is 2.4% below $5,000 threshold
JE-0187	2025-06-17	Cash - Operating	$9,862.69	Amount $9,862.69 is 1.4% below $10,000 threshold

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JE #	Date	Account	Amount	Issue
JE-0187	2025-06-17	Accounts Receivable	$9,862.69	Amount $9,862.69 is 1.4% below $10,000 threshold
JE-0036	2024-12-16	Cash - Operating	$2,617.68	Potential split: 2 entries to 'cash - operating' o
JE-0049	2024-12-16	Cash - Operating	$7,833.95	Potential split: 2 entries to 'cash - operating' o
JE-0083	2025-02-11	Cost of Services	$3,554.22	Potential split: 2 entries to 'cost of services' o
JE-098	2025-02-11	Cost of Services	$3,554.22	Potential split: 2 entries to 'cost of services' o
JE-0083	2025-02-11	Accrued Salaries	$3,554.22	Potential split: 2 entries to 'accrued salaries' o
JE-098	2025-02-11	Accrued Salaries	$3,554.22	Potential split: 2 entries to 'accrued salaries' o

Showing 20 of 24 flagged entries. See CSV export for complete listing.

VI. Benford's Law Analysis

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Eligible Entries ................................ 408
MAD Score ..................................... 0.02798
Conformity Level ....................... Nonconforming
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Digit	Expected	Actual	Deviation
1	30.103%	29.412%	-0.691%
2	17.609%	17.157%	-0.452%
3	12.494%	18.627%	+6.133%
4	9.691%	3.431%	-6.260%
5	7.918%	3.431%	-4.487%
6	6.695%	6.863%	+0.168%
7	5.799%	9.804%	+4.005%
8	5.115%	4.412%	-0.703%
9	4.576%	6.863%	+2.287%

VII. Preparer Concentration Analysis

154 of 154 flagged entries (100%) include preparer identification. The following table shows the top preparers by flagged entry count:

Preparer	Flagged Entries	% of Flagged
rbrown	51	33.1%
mwilson	31	20.1%

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Preparer	Flagged Entries	% of Flagged
agarcia	22	14.3%
jsmith	20	13.0%
tchen	10	6.5%

VIII. Authoritative References

Body	Reference	Topic	Status
FASB	ASC 250-10	Accounting Changes and Error Corrections — Overall	Current
FASB	ASC 850-10	Related Party Disclosures — Overall	Current

IX. Summary of Results

Based on the automated journal entry testing procedures applied, the General Ledger extract returned ELEVATED flag density across the automated tests. Select flagged entries should be reviewed for proper authorization and documentation.

Paciolus Intelligence • Generated 20 Nov 2026 01:22 UTC • Meridian Capital Group (synthetic data) • Period: FY2025 (Nov 2024 - Jun 2025)

Limitations

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