

# Exam Questions CFE-Fraud-Prevention-and-Deterrence

Certified Fraud Examiner - Fraud Prevention and Deterrence Exam

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#### NEW QUESTION 1

Jane, a Certified Fraud Examiner (CFE). was hired to conduct a fraud examination at XYZ Company. Her examination did not reveal any conclusive evidence that fraud had occurred or was occurring. Consequently. XYZ's management asked Jane to state in her official examination report that the company is free of fraud as a means of assuring the board of directors that the company's anti-fraud controls were effective. The ACFE Code of Professional Ethics prohibits Jane from complying with management's request

- A. True
- B. False

**Answer:** B

#### NEW QUESTION 2

According to behaviorists such as B F Skinner, which of the following scenarios is mostly likely to occur when an undesired behavior is punished?

- A. The behavior will be permanently suppressed
- B. The behavior will return when punishment ceases
- C. The behavior will occur more frequently.
- D. The behavior will not be affected by the punishment

**Answer:** A

#### NEW QUESTION 3

The generation and use of relevant, quality information to support the functioning of internal control is a principle related to which component of the Committee of Sponsoring Organizations of the Treadway Commissions (COSO) Internal Control—Integrated Framework (the Framework)?

- A. Risk assessment
- B. Control environment
- C. Monitoring
- D. Information and communication

**Answer:** A

#### NEW QUESTION 4

Which of the following is FALSE regarding a background check policy for employees'?

- A. Where permitted by la
- B. management should run a background check on any existing employee who is being promoted to a position that includes access to sensitive or valuable company resources, even if a background check was run on the individual at the time of hire
- C. When verifying past employment, management should only ask previous employers to verify the dates the candidate was employed.
- D. As part of the screening process, management should contact the references provided by the job candidate
- E. At a minimum, management should conduct a background check on any candidate who will have constant access to cash, checks, and credit card numbers, or other easily stolen items.

**Answer:** B

#### NEW QUESTION 5

According to the differential reinforcement theory, behavior is weakened when positive rewards are gained or punishment is avoided

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 6

The International Organization of Securities Commissions' (IOSCO) Principles for Auditor Oversight states that auditor oversight should involve a regular review process designed to ascertain whether audit firms adhere to quality control policies and procedures.

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 7

Criminologist Charles McCaghy has slated that profit pressure is the single most compelling factor behind deviance by organizations

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 8

White, a Certified Fraud Examiner (CFE). was hired to conduct a fraud examination. She did not find fraud, but. in White's opinion, there were several internal control deficiencies that, if not remediated, could facilitate the occurrence of fraud. Under the ACFE Code of Professional Ethics. White may include her opinion on

the controls in her report to management

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 9

Which of the following statements regarding white-collar defendants is TRUE?

- A. The lower the offenders' social status, the more likely they are to be imprisoned
- B. They are more likely to be fined than to face prison terms as punishment
- C. They are less likely to insist on a trial than other offenders
- D. All of the above

**Answer:** B

#### NEW QUESTION 10

Which of the following is FALSE regarding an organization's anti-fraud policy?

- A. A detailed anti-fraud policy can make it easier to investigate and punish employees who commit fraud and other dishonest acts.
- B. One of the most important considerations in developing the anti-fraud policy is to ensure every allegation is handled in a uniform-manner
- C. To avoid legal problems in discharging employees, the anti-fraud policy should not include any specific examples of fraud and misconduct
- D. In developing the anti-fraud policy, management should check with legal counsel regarding any legal considerations with respect to the policy

**Answer:** C

#### NEW QUESTION 10

Which of the following statements about the fraud risk assessment process is MOST ACCURATE"?

- A. To ensure the independence of the team members a fraud risk assessment must be conducted by a consultant or other external party.
- B. The assessment team must be perceived as independent and objective by others for the assessment to be effective
- C. If the individuals conducting the fraud risk assessment truly believe that fraud could not happen at the organization the assessment process should reflect that belief.
- D. The fraud risk assessment is most effective when management s influence on the process is limited.

**Answer:** A

#### NEW QUESTION 15

During the course of a fraud examination. Stefan, an employee of Acme Inc., approaches Marten, a Certified Fraud Examiner (CFE) and fellow employee of Acme, and tells him that he knows of a major fraud being committed by the chief financial officer (CFO). However. Stefan says he can only provide details if Marten promises him absolute confidentiality. How should Marten respond?

- A. Agree that the information will be held in confidence, even though Marten knows it will not be
- B. Take Stefan's request straight to Acme Inc.'s management
- C. Tell Stefan that he will try to keep the information as confidential as possible
- D. Not agree to the request for confidentiality

**Answer:** C

#### NEW QUESTION 18

Maria conducted a fraud examination that led to a valid confession of guilt from Rita. In Maria's verbal report to her superiors, she stated that, in her opinion. "Rita is guilty of embezzlement." Maria has just violated the ACFE Code of Professional Ethics.

- A. True
- B. False

**Answer:** B

#### NEW QUESTION 23

Effective risk management involves balancing which of the following?

- A. The organization s internal controls and its financial goals
- B. The organization s financial reporting model and its risk tolerance
- C. The organization s regulatory requirements and its available resources
- D. The organization s risk appetite and its ability to meet its objectives

**Answer:** C

#### NEW QUESTION 27

Which of the following principles of corporate governance pertains to the duty of the organization to act in the best interest of society?

- A. Responsibility
- B. Fairness
- C. Transparency

D. Accountability

**Answer:** B

#### NEW QUESTION 32

Employees should be kept unaware that management is watching for lifestyle and behavior changes in staff members that might indicate fraud

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 37

In the area of criminological theory, compliance is the theory that tries to prevent crime by providing economic incentives for voluntary conformity to the laws and using administrative efforts to control violations before they occur.

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 39

Which of the following is FALSE regarding corporate governance?

- A. Effective corporate governance practices are most necessary in an organization in which the owners are not also the individuals responsible for setting and executing the business strategy
- B. Effective corporate governance practices are considered to be the foundation of fraud risk management.
- C. Corporate governance's primary purpose is to ensure the accuracy of the organization's financial reports
- D. An entity's corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organization

**Answer:** A

#### NEW QUESTION 41

According to modern criminological studies, which of the following is the determinant aspect of white-collar crime?

- A. Organizational opportunity
- B. Absence of risk factors
- C. Potential legal punishment
- D. Social status

**Answer:** D

#### NEW QUESTION 43

Glenda, an internal auditor, and Bridgette, an accounts receivable clerk, have had several heated disagreements over accounting procedures and policies. Glenda has just been told that she will be the lead on the company's fraud risk assessment. During the fraud risk assessment, Glenda should:

- A. Include her disagreements with Bridgette as a factor when assessing the risk of fraud in the accounts receivable department
- B. Automatically designate the accounts receivable department as a high-risk area
- C. Confront Bridgette about the disagreements and discuss how they increase the department's risk of fraud
- D. Have someone else perform the fraud risk assessment work related to the accounts receivable department's activities

**Answer:** C

#### NEW QUESTION 44

According to the 2018 Report to the Nations, which of the following is the most common method by which frauds are detected?

- A. Confession
- B. External audit
- C. Tips
- D. Internal audit

**Answer:** C

#### NEW QUESTION 48

A corporation can generally be held criminally responsible for criminal acts committed by its employees even if those in management had no knowledge of or participation in the underlying events.

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 52

Julia is conducting a formal assessment of XYZ Corporation's ethical culture. To which of the five components of the Committee of Sponsoring Organizations of the

Treadway Commission's (COSO) Internal Control—Integrated Framework (the Framework) does her assessment pertain?

- A. Control environment
- B. Monitoring
- C. Control activities
- D. Information and communication

**Answer:** A

#### NEW QUESTION 54

Gray, an independent Certified Fraud Examiner (CFE), was hired by Green president of the ABC Corporation, to investigate allegations that one of ABC's employees is taking kickbacks. During the investigation, Gray learns that Green is involved in an unrelated fraud. Under the ACFE Code of Professional Ethics, Gray should:

- A. Tell the company's board of directors about Green
- B. Report Green to law enforcement.
- C. Resign from the engagement
- D. Not disclose the information about Green.

**Answer:** B

#### NEW QUESTION 56

Which of the following is TRUE regarding the communication of the fraud risk assessment process?

- A. The communication should be in the form of a personalized message from the assessment sponsor
- B. The communication should actively encourage employees to participate in the assessment process
- C. The communication should be visibly disseminated throughout the business
- D. All of the above

**Answer:** D

#### NEW QUESTION 59

Management at ABC Corp. is assessing the company's ethical tone and how it affects the organization's fraud risk. To most effectively reinforce an anti-fraud culture, management should

- A. Create an environment in which employees feel safe challenging management's decisions
- B. Use a checklist of initiatives to make sure all the elements of a strong tone at the top are in place
- C. Implement two separate sets of ethics policies one for management and one for employees
- D. All of the above

**Answer:** D

#### NEW QUESTION 64

According to International Organization for Standardization (ISO) 31000 2018, an organization's risk management program should be proportionate to the organization's specific operations and objectives.

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 66

Which of the following is FALSE regarding proactive fraud auditing procedures?

- A. Implementing proactive fraud audit procedures demonstrates management's intention to aggressively seek out possible fraudulent conduct
- B. Fraud audit procedures should be designed to incorporate an element of surprise.
- C. Analytical review of the financial statements is best used to uncover small frauds that might be missed by other detection methods
- D. Fraud assessment questioning techniques are most appropriately used as part of the normal audit process

**Answer:** C

#### NEW QUESTION 71

Independent auditors play a critical role in enhancing the reliability of financial information by financial position and performance in compliance with accepted accounting standards.

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 76

The Public Interest Oversight Board (PIOB) is the global body responsible for establishing international corporate governance standards.

- A. True
- B. False

**Answer:** B

#### NEW QUESTION 79

Which of the following is TRUE regarding the reporting of the fraud risk assessment results?

- A. A fraud risk assessment report should reflect the assessment team's subjective perspective regarding the risks identified
- B. The fraud risk assessment report should be delivered in a style most suited to the language of the business
- C. The fraud risk assessment report should contain a detailed, comprehensive list of every assessment finding
- D. All of the above

**Answer:** D

#### NEW QUESTION 84

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines as "a process, effected by an entity's board of directors, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance."

- A. Fraud risk management
- B. Corporate compliance
- C. Internal control
- D. Risk assessment

**Answer:** C

#### NEW QUESTION 87

Which of the following is a detective anti-fraud control?

- A. Separation of duties
- B. Hiring policies and procedures
- C. Independent reconciliations
- D. Fraud awareness training

**Answer:** A

#### NEW QUESTION 91

Which of the following is TRUE regarding an organization's ethics program?

- A. To be most effective, access to the organization's ethics policy should be restricted to employees and other internal parties only
- B. In designing the ethics program, management should consider whether the organization currently has any ethical leadership issues
- C. An effective written ethics policy alone is sufficient to communicate management's ethical philosophy and serve as a comprehensive ethics program
- D. All of the above

**Answer:** D

#### NEW QUESTION 96

Which of the following is an example of organizational crime?

- A. doctor conspiring with patients to file false health care insurance claims
- B. A salesman offering bribes to secure a contract
- C. An accounting clerk forging company checks to herself
- D. Management of several construction companies engaging in bid rigging

**Answer:** C

#### NEW QUESTION 100

In a company with all of the following parties, who should have primary responsibility for the oversight of the organization's compliance program?

- A. The board of directors
- B. General counsel
- C. Internal audit
- D. The chief ethics officer

**Answer:** A

#### NEW QUESTION 102

In identifying the inherent fraud risks that could apply to the organization, the fraud risk assessment team should discuss

- A. The possibility of management override of controls
- B. Risks to the organization's reputation
- C. The organization's incentive programs
- D. All of the above

**Answer:** D

#### NEW QUESTION 104



To be in compliance with the ACFE Code of Professional Ethics, fraud examiners must have:

- A. A Sufficient skill and knowledge to recognize when additional training or expert guidance is required
- B. An expert level of experience for every circumstance that might be encountered in a fraud examination
- C. An expert level of knowledge for every circumstance that might be encountered in a fraud examination
- D. Sufficient resources to obtain the training needed to become an expert on all facets of fraud examinations

**Answer:** D

#### NEW QUESTION 107

Which of the following is NOT included in G20/OECD Principles of Corporate Governance (the Principles)?

- A. A request that governments have in place an appropriate framework to support good corporate governance practices
- B. Recognition of the importance of the role of stakeholders in corporate governance
- C. Support for establishing stronger protection for foreign shareholders than for domestic shareholders
- D. Guidance regarding appropriate board structures, responsibilities, and procedures

**Answer:** C

#### NEW QUESTION 108

A report by a fraud examiner is privileged from disclosure by anyone other than the client

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 109

According to Diane Vaughan. which of the following factors increases an organization s inherent inclination toward committing crime?

- A. Management links employee performance goals with company performance goals
- B. Rewards are given to employees who challenge the status quo
- C. Management seeks out diversity in attitudes and perspectives when hiring employees
- D. All of the above

**Answer:** B

#### NEW QUESTION 113

Article II of the ACFE Code of Professional Ethics prohibits illegal or unethical conduct, but it allows exceptions for unknowing violations of the law

- A. True
- B. False

**Answer:** B

#### NEW QUESTION 116

The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing states that

- A. The internal auditor must apply the skill and care of an expert whose primary responsibility is investigating fraud
- B. The internal auditor must apply the skill and care of an expert whose primary responsibility is detecting fraud.
- C. The internal auditor must apply the skill and care of an unbiased, infallible audit professional.
- D. The internal auditor must apply the skill and care of a reasonably prudent and competent internal auditor

**Answer:** C

#### NEW QUESTION 121

For its compliance program to be effective, an organization must perform procedures to ensure management hires only ethical individuals who exercise a substantial measure of discretion in acting on the organization s behalf.

- A. True
- B. False

**Answer:** A

#### NEW QUESTION 125

The objectives of a fraud risk management program include

- A. Proactively identifying fraud risks
- B. Limiting the damage caused by fraud occurrences
- C. Punishing fraud perpetrators
- D. All of the above

**Answer:** D

**NEW QUESTION 128**

According to Silk and Vogel's research, business leaders rationalize legal violations by asserting that the damage done by the violations is diffused among a large number of parties.

- A. True
- B. False

**Answer:** A

**NEW QUESTION 130**

Which of the following is FALSE regarding a fraud risk assessment?

- A. The designation of an area as being high risk does not conclusively mean that fraud is occurring there
- B. The objective of the assessment is to provide an estimate of the organization's fraud losses
- C. The assessment should be used to improve employee fraud awareness
- D. The assessment team should consider how employees behave as part of its assessment

**Answer:** B

**NEW QUESTION 135**

Which of the following is among the audit committee's primary responsibilities related to fraud risk management?

- A. Understanding how internal and external audit strategies address fraud risk
- B. Designing the fraud risk management program
- C. Punishing fraud perpetrators discovered through fraud risk management activities
- D. Implementing the fraud risk management program

**Answer:** B

**NEW QUESTION 140**

Which of the following statements is FALSE?

- A. Controls do little good in preventing theft and fraud if those at risk do not know of their presence
- B. Most experts agree that it is harder to detect frauds than to prevent them
- C. Conducting covert audits is among the most effective fraud prevention methods
- D. Educating employees about company hotlines and reporting programs increases their perception of detection

**Answer:** A

**NEW QUESTION 145**

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