



ACFE

Exam Questions CFE-Fraud-Prevention-and-Deterrence

Certified Fraud Examiner - Fraud Prevention and Deterrence Exam

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NEW QUESTION 1

According to The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing, which of the following should the internal audit team evaluate in its assessment of the risk management process?

- A. The materiality of the organization's financial statements
- B. The organization's fraud risk management initiatives
- C. The management team's assessment of the internal controls over financial reporting
- D. The organization's risk exposures relating to the sale of assets

Answer: B

NEW QUESTION 2

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 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

The internal auditor's fraud-related responsibilities include which of the following?

- A. Evaluating whether management is actively retaining responsibility for oversight of the fraud risk management program
- B. Attesting that the organization's financial statements are free of material misstatements caused by fraud
- C. Reporting to regulators regarding the entity's vulnerability to fraud
- D. Overseeing management's actions to manage fraud risks

Answer: C

NEW QUESTION 5

According to the authors of Crimes of the Middle Classes, all of the following factors have contributed to the rising problem of economic crime EXCEPT:

- A. The continued pressures of a culture that rewards affluence and success
- B. The economy's increased reliance on credit
- C. The decrease in funds available from government assistance programs
- D. The increased opportunity for wrongdoing as a result of advancing information technologies

Answer: D

NEW QUESTION 6

As part of her audit of ABC Corp., Rachel, a CPA, is identifying the risks of material misstatement due to fraud. As part of this task, she should evaluate any unexpected relationships that she identified in performing analytical procedures.

- A. True
- B. False

Answer: A

NEW QUESTION 7

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 8

Which of the following is NOT a way that an organization's fraud risk assessment should be incorporated into the audit process"

- A. It should be used to replace the auditor's own identification and assessment of fraud risks.
- B. It should be used to assess whether there is a moderate-to-high risk of management override of internal controls within the moderate-to-high fraud risk areas
- C. It should be used to increase awareness in the development of audit programs for areas that have been identified as having a moderate-to-high risk of fraud.
- D. It should be used to design audit tests to evaluate whether the controls are operating effectively

Answer: A

NEW QUESTION 9

International Standard on Auditing (ISA) 240 establishes auditors as being primarily responsible for the prevention and detection of fraud within an organization

- A. True
- B. False

Answer: B

NEW QUESTION 10

Jenny is a highly respected employee at XYZ Corp Her husbands gambling addiction has caused them to have a significant amount of debt Jenny begins stealing money from the company to cover her husbands gambling losses. This situation best illustrates which leg of the Fraud Triangle?

- A. Perceived opportunity
- B. Rationalization
- C. Perceived non-shareable financial need
- D. Perceived acquiescence

Answer: C

NEW QUESTION 10

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 11

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 12

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 17

In developing a corporate governance framework for an organization, directors and management must consider which of the following?

- A. The organization s cultural environment
- B. The organization s legal and regulatory environment
- C. The organization s ethical environment
- D. All of the above

Answer: D

NEW QUESTION 22

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 governances primary purpose is to ensure the accuracy of the organizations 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 24

Which of the following statements is FALSE regarding an organization's fraud risk management program?

- A. A Formal sanctions for intentional noncompliance should be well-publicized throughout the company
- B. There should be measures in place to address failures in the design or operation of anti-fraud controls, as well as fraud occurrences
- C. The program must include mechanisms to monitor and identify breaches in compliance
- D. The responsibility of handling suspected incidences of noncompliance should be delegated to someone outside of the company

Answer: A

NEW QUESTION 28

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 31

In response to a risk identified during a fraud risk assessment, management decides to purchase fidelity insurance to help protect the company against the associated risk of loss. This response is known as:

- A. Mitigating the risk
- B. Assuming the risk
- C. Avoiding the risk
- D. Transferring the risk

Answer: D

NEW QUESTION 33

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 34

According to the 2018 Report to the Nations, schemes are the most common form of occupational fraud, while schemes are the costliest form of occupational fraud.

- A. Financial statement fraud, corruption
- B. Asset misappropriation; financial statement fraud
- C. Asset misappropriation; corruption
- D. Corruption; asset misappropriation

Answer: C

NEW QUESTION 36

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 38

Employee anti-fraud education should:

- A. Include examples of prior employee misconduct and how those situations were handled
- B. Include descriptions of the procedures that management uses to detect fraud.
- C. Be restricted to formal educational mechanisms to reinforce the importance of the message
- D. Be presented by organizational executives or anti-fraud professionals only

Answer: A

NEW QUESTION 43

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 47

Effectively documenting and communicating organizational hierarchies, including the proper flow of information, can be a helpful tool in preventing fraud

- A. True
- B. False

Answer: A

NEW QUESTION 48

The theory of differential association is used frequently to explain white-collar criminality Which of the following is NOT one of the assertions or principles of differential association?

- A. Criminal behavior is learned from other people in a process of communication
- B. Criminal behavior is learned using the same mechanisms as other learning
- C. Criminal behavior is acquired through participation with intimate personal groups
- D. The process of learning criminal behavior is the same as pure imitation

Answer: C

NEW QUESTION 49

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 51

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 53

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 58

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 61

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 65

Which of the following is FALSE regarding fraud examiners responsibilities under the ACFE Code of Professional Ethics?

- A. Confidential information provided to fraud examiners by their clients is considered privileged and therefore legally exempt from disclosure in all circumstances
- B. In determining what information to include in a fraud examination report, fraud examiners should try to decide what users will consider important and material
- C. If fraud examiners become aware of a situation that might appear to others as though they have a conflict of interest they should immediately disclose the situation to company management
- D. Fraud examiners must obtain and document evidence in a manner that ensures that the chain of custody is preserved

Answer: B

NEW QUESTION 69

According to the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control—Integrated Framework (the Framework), there are five interrelated components of a company's internal control. Which of the following is NOT among these five components?

- A. Ethical culture
- B. Risk assessment
- C. Control activities
- D. Monitoring

Answer: A

NEW QUESTION 71

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 75

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: D

NEW QUESTION 76

Which of the following statements is TRUE regarding how fraud examiners should exercise professional skepticism during a fraud examination engagement?

- A. Professional skepticism involves maintaining a mindset that no fraud has occurred
- B. Fraud examiners should not relax their skeptical attitudes even if there are no signs of fraudulent activity.
- C. Fraud examiners should form the engagement hypothesis without regard to the available preliminary information
- D. Professional skepticism means beginning all assignments with the belief that something is amiss

Answer: D

NEW QUESTION 79

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 84

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 87

During a fraud risk assessment, the assessment team is seeking information on the ethical tone set by upper and middle managers. The team members determine that, for this task, they would like to get candid one-on-one feedback from employees away from their peers. Which of the following techniques would be most helpful for them to use in gathering this information?

- A. Surveys
- B. Anonymous feedback mechanisms
- C. Interviews
- D. Focus groups

Answer: B

NEW QUESTION 90

Which of the following is NOT explicitly prohibited by the ACFE Code of Professional Ethics?

- A. Participating in an activity where there is an undisclosed conflict of interest
- B. Engaging in behavior that is against the law
- C. Drawing conclusions based upon evidence
- D. Acting in a way that could be deemed unethical by the industry

Answer: C

NEW QUESTION 95

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

- A. True
- B. False

Answer: A

NEW QUESTION 96

Which of the following is NOT one of the three general approaches used to control corporate crime?

- A. Consumer action to force change
- B. Voluntary changes in corporate attitudes and structure
- C. Media blacklisting of the organization
- D. Strong intervention of the government

Answer: B

NEW QUESTION 99

Which of the following is NOT a purpose served by a professional organization's code of conduct?

- A. It provides more direct solutions to professional ethical dilemmas than might exist under general ethical principles
- B. It serves as a reference and benchmark for ethical guidance
- C. It provides clear answers to all ethical dilemmas the organization's members might face
- D. It facilitates practical enforcement and profession-wide internal discipline

Answer: B

NEW QUESTION 101

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 102

Which of the following is FALSE regarding the process of defining the objective of the fraud risk management program?

- A. Management must assign a quantitative measure to its risk appetite so that it can accurately measure the fraud risk management program's effectiveness
- B. Management should express risk appetite in a manner that is appropriate for and unique to the organization's culture and operations.
- C. Management should examine previous fraud occurrences to determine how the ideal fraud risk management program would have prevented them.
- D. Management must consider the total amount of fraud risk it is willing to accept when determining fraud risk management objectives

Answer: D

NEW QUESTION 104

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 106

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 109

Which of the following would most likely be a violation of the ACFE Code of Professional Ethics?

- A. Susan, a CFE, was hired by a client to conduct a fraud examination but found nothing amiss. A year later, she received a legal order from the local prosecutor's office to provide the client's file. Susan complied with the court order, even though she did not have the client's authorization to do so.
- B. Green, a CF, uncovered several material internal control deficiencies unrelated to the financial statement fraud he was investigating.
- C. In his final report to management, Green included information about the deficiencies even though they were unrelated to the situation he was hired to investigate.
- D. Stephanie, a CF, accepted a fraud examination assignment and then instructed a lower-level employee to assess the company's cash records for signs of fraud. She took his word when he said there was no evidence of wrongdoing and ended up failing to uncover a very costly fraud scheme.
- E. All of the above are violations.

Answer: C

NEW QUESTION 114

Which of the following is NOT an effective way to help prevent fraud through the organization's performance measurement and management programs?

- A. Establishing well-defined job descriptions to facilitate performance evaluations
- B. Evaluating employee performance based solely on productivity and profit
- C. Tying employee compensation to reasonable organizational performance goals
- D. Providing regular training to ensure that all employees are sufficiently prepared to perform their tasks

Answer: B

NEW QUESTION 119

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