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### Question: 1

[Ethical Responsibilities of the Fraud Examiner]

Benjamin, a Certified Fraud Examiner (CFE), was contacted regarding an engagement to investigate a complex money laundering case spanning numerous international jurisdictions and involving multiple cutting-edge technologies. Benjamin had previously attended a seminar on investigating money laundering schemes, but he had no other training or experience in such cases.

However, he accepted the engagement and chose to conduct the work himself. Benjamin's conduct would likely be a violation of the ACFE Code of Professional Ethics.

- A. True
- B. False

**Answer: A**

### Question: 2

[Fraud Deterrence]

For its compliance program to be effective, an organization must promote the program through appropriate incentives for compliance.

- A. True
- B. False

**Answer: A**

### Question: 3

[Fraud Risk Management]

In response to a risk identified during a fraud risk assessment, management decides to implement additional internal control measures. This response is known as:

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

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**Answer: B**

**Question: 4**

[Fraud Risk Management]

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

- A. The more personalized the communication, the more effective it will be in encouraging employees to participate
- B. The communication should be made in a format that is most appropriate for the culture of the organization
- C. The communication should be visibly disseminated throughout the business
- D. All of the above

**Answer: D**

**Question: 5**

[Ethical Responsibilities of the Fraud Examiner]

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 teams that Green is involved in an unrelated fraud. Under the ACFE Code of Professional Ethics, Gray should:

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

**Answer: C**

**Question: 6**

[Fraud Deterrence]

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

- A. Analytical review of the financial statements is best used to uncover small frauds that might be missed by other detection methods.
  - B. Fraud assessment Questioning techniques are most appropriately used when attempting to determine who might be responsible for a particular fraud scheme.
  - C. Implementing proactive fraud audit procedures demonstrates the organization's intention to aggressively look for possible fraudulent conduct.
  - D. Surprise audit procedures are an effective fraud detection mechanism, but they do not help prevent fraud
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**Answer: C**

**Question: 7**

[Criminology and Ethics]

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 explained by an individual's general needs and values.
- B. Criminal behavior is acquired through participation with intimate personal groups.
- C. Criminal behavior is learned from other people in a process of communication.
- D. Criminal behavior is learned using the same mechanisms as other learning

**Answer: A**

**Question: 8**

[Fraud Risk Management]

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

- A. The objective of the assessment is to help the organization identify what makes it most vulnerable to fraud.
- B. The assessment should be used to improve employee fraud awareness
- C. The assessment team should consider how employees behave as part of its assessment
- D. The designation of an area as high risk should only occur if the assessment has conclusively revealed that fraud is occurring there.

**Answer: D**

**Question: 9**

[Corporate Governance]

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

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

**Question: 10**

[Fraud Risk Management]

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

- A. Including ethics-based metrics as a component of performance evaluations
- B. Providing regular training to ensure that all employees are sufficiently prepared to perform their tasks
- C. Establishing loosely defined job descriptions that allow employees flexibility in their roles
- D. Tying employee compensation to reasonable organizational performance goals

**Answer: B**

**Question: 11**

[Criminology and Ethics]

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

- A. Cultural ties
- B. Criminal history
- C. Organizational opportunity
- D. Social class

**Answer: C**

**Question: 12**

[Ethical Responsibilities of the Fraud Examiner]

Which of the following would MOST LIKELY be a violation of the ACFE Code of Professional Ethics?

- A. Green a CFE, uncovered several material internal control deficiencies unrelated to the financial statement fraud he was investigating. 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.
  - B. Stephanie, a CFE, 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.
  - C. 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.
  - D. All of the above are violations
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**Answer: D**

**Question: 13**

[Fraud Deterrence]

Patrick is conducting an external audit of a company in a jurisdiction that is subject to International Standards on Auditing (ISAs). While undertaking his audit procedures, he discovers evidence that senior management has been fraudulently manipulating the financial statements. Which of the following is Patrick's BEST response to these findings?

- A. Patrick should confront management with his audit findings and try to get a confession.
- B. Patrick should immediately report his findings to local law enforcement authorities.
- C. Patrick should not disclose his findings to any other parties due to client confidentiality
- D. Patrick should report his findings to those charged with governance of the organization.

**Answer: D**

**Question: 14**

[Corporate Governance]

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

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

**Answer: B**

**Question: 15**

[Fraud Risk Management]

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

- A. Professional skepticism means beginning all assignments with the belief that something is amiss.
  - B. Professional skepticism involves maintaining a mindset that no fraud has occurred
  - C. Fraud examiners should form the engagement hypothesis without regard to the available preliminary information.
  - D. Fraud examiners should not relax their skeptical attitudes under any circumstances.
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**Answer: D**

**Question: 16**

[Corporate Governance]

Which of the following is TRUE regarding G20/OECD Principles of Corporate Governance (the Principles)?

- A. The Principles are required to be implemented by all corporations in the jurisdictions that have officially adopted them
- B. The Principles state that an entity's corporate governance framework should discourage active cooperation between corporations and stakeholders in creating wealth.
- C. The Principles are intended to be applicable in developed economies but not in emerging markets.
- D. The Principles state that an entity's corporate governance framework should ensure the equitable treatment of all shareholders.

**Answer: D**

**Question: 17**

[Fraud Risk Management]

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 increased constraints of the regulatory environment for businesses
- D. The increased opportunity for wrongdoing as a result of advancing information technologies

**Answer: C**

**Question: 18**

[Fraud Risk Management]

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

**Question: 19**

[Fraud Risk Management]

The existence of many specialized departments within a company generally decreases the overall risk of fraud within the organization.

- A. True
- B. False

**Answer: B**

**Question: 20**

[White-Collar Crime]

Criminologist Charles McCaghy has stated that regulatory pressure is the single most compelling factor behind deviance by organizations.

- A. True
- B. False

**Answer: A**

**Question: 21**

[White-Collar Crime]

Which of the following is one of the recommendations made by the National Commission on Fraudulent Financial Reporting (the Treadway Commission) to reduce the probability of fraud in financial reports?

- A. A mandatory independent compensation committee
  - B. Shareholder oversight of internal controls
  - C. A written charter for management
  - D. Adequate audit committee resources and authority
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**Answer: D**

**Question: 22**

[Fraud Deterrence]

A government auditor is conducting a financial statement audit of a public-sector entity in accordance with the International Standards of Supreme Audit Institutions (ISSAI). Which of the following is TRUE regarding the auditor's consideration of fraud during this engagement?

- A. In addition to fraud, the auditor should remain alert to potential occurrences of abuse during the audit.
- B. The auditor has the automatic ability to withdraw from the audit engagement if fraud is found.
- C. The requirements found in International Standard on Auditing (ISA) 240 do not apply to the engagement.
- D. The objectives of the audit are likely narrower than those of a private-sector financial statement audit.

**Answer: A**

**Question: 23**

[Fraud Prevention]

Reporting known incidents of fraud to law enforcement can be an effective fraud prevention mechanism.

- A. True
- B. False

**Answer: A**

**Question: 24**

[Corporate Governance]

XYZ, Inc. is a publicly traded, multi-national corporation. Which of the following statements is TRUE regarding the corporate governance requirements that XYZ is subject to?

- A. XYZ must comply with the various laws and regulations in the countries in which it operates.
  - B. XYZ is subject to the Universal Corporate Governance Act because it is a publicly traded corporation.
  - C. XYZ is required to comply with G20/OECD Principles of Corporate Governance.
  - D. XYZ is not required to comply with any corporate governance requirements because it operates in multiple jurisdictions.
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**Answer: A**

**Question: 25**

[Fraud Deterrence]

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

- A. Obtaining reasonable assurance that the organization's financial statements are free of material misstatements caused by fraud
- B. Overseeing management's actions to manage fraud risks
- C. Evaluating indicators of fraud and deciding whether any further action is necessary or whether an investigation should be recommended
- D. Establishing and maintaining effective anti-fraud controls at a reasonable cost

**Answer: C**

**Question: 26**

[Criminology and Ethics]

According to Steve Albrecht's research, \_\_\_\_\_ is the most common personal characteristic motivating fraudsters, and \_\_\_\_\_ is the most common organization-environment factor motivating fraudsters.

- A. High personal debt; lack of separation of duties
- B. Revenge; too much trust in key employees
- C. Living beyond their means; too much trust in key employees
- D. Desire for recognition; lack of separation of duties

**Answer: C**

**Question: 27**

[Fraud Risk Management]

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

- A. When verifying past employment, management should only ask previous employers to verify the dates the candidate was employed.
  - B. 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.
  - C. Where permitted by law, 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
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individual at the time of hire

D. As part of the screening process, management should contact the references provided by the job candidate.

**Answer: A**

### Question: 28

[Fraud Risk Management]

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

- A. Management should examine previous fraud occurrences to determine how the ideal fraud risk management program would have prevented them.
- B. Management must balance the investment in anti-fraud controls with the benefit of those controls and the amount of risk it is willing to accept.
- C. Management must assign a quantitative measure to its risk appetite so that it can accurately measure the fraud risk management program's effectiveness.
- D. Management should tailor the detailed objectives of the fraud risk management program to the organization's specific needs and goals.

**Answer: C**

### Question: 29

[White-Collar Crime]

Which of the following is an example of organizational crime?

- A. A sales manager using a corporate credit card for personal expenses
- B. Management of several pharmaceutical companies engaging in a price fixing scheme
- C. An insurance claims agent conspiring with customers to file false insurance claims and share the proceeds
- D. An HR employee adding a ghost employee to the payroll and misappropriating the paychecks

**Answer: B**

### Question: 30

[Fraud Risk Management]

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

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

**Answer: D**

### Question: 31

[Fraud Risk Management]

Fraud risks related to corruption include all of the following EXCEPT;

- A. Receipt of kickbacks
- B. Espionage by competitors
- C. Payment of bribes
- D. Aiding and abetting vendor fraud

**Answer: B**

### Question: 32

[Fraud Risk Management]

Which of the following criminological theories states that individuals make a conscious decision to commit a crime and that crime can be deterred by reducing opportunities for criminal activity and increasing an individual's personal risk of being caught and punished?

- A. Routine activities theory
- B. Differential association theory
- C. Rational choice theory
- D. Social conflict theory

**Answer: C**

### Question: 33

[Fraud Risk Management]

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

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

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**Answer: A**

**Question: 34**

[Fraud Prevention]

Which of the following statements regarding best practices that organizations can take to protect and support whistleblowers is MOST ACCURATE?

- A. Organizations should emphasize that rules regarding whistleblower protections are only intended for lower level employees who might be more vulnerable to retaliation.
- B. Organizations should implement a clear whistleblower policy that lists out every type of misconduct that has ever been reported at the company.
- C. Organizations should publicize their whistleblower procedures internally but should avoid communicating any procedural information to parties outside of the organization.
- D. Organizations should establish formal consequences that are to be imposed upon employees at the company who retaliate against a whistleblower.

**Answer: D**

**Question: 35**

[Corporate Governance]

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

**Answer: D**

**Question: 36**

[Fraud Risk Management]

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

- A. The program must include mechanisms to address breaches in compliance.
  - B. The punishment for intentional noncompliance should be carried out in a consistent and firm manner.
  - C. Formal sanctions for intentional noncompliance should be determined and enacted privately
  - D. A specific individual or team should be designated as responsible for monitoring compliance with the program
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**Answer: C**

**Question: 37**

[Fraud Deterrence]

During an external audit, the audit team identifies evidence that management has intentionally omitted some expenses from the company's financial statements in order to conceal an asset misappropriation scheme. However, the amount of the resulting misstatement does not meet the quantitative materiality threshold for the audit. Which of the following is TRUE regarding this situation?

- A. The auditors should assume that all audit evidence collected previously is unreliable and withdraw from the audit engagement
- B. The auditors should assess the need to adjust the nature, timing, and extent of remaining audit procedures based on this evidence.
- C. The auditors can ignore the misstatement because the omitted amount is less than the quantitative materiality threshold and therefore immaterial to the audit.
- D. The auditors do not need to be concerned with this evidence, as asset misappropriation schemes are not considered relevant or material for external audit purposes.

**Answer: B**

**Question: 38**

[Criminology and Ethics]

Which of the following is TRUE regarding prosecutions of white-collar criminals?

- A. Only a small percentage of perpetrators are punished when an organization deals with a fraud case internally.
- B. Most fraud cases are only handled internally and are not referred to law enforcement for prosecution
- C. The primary reason organizations decline to prosecute fraud cases is a belief that their internal discipline methods are sufficient
- D. When fraud cases are handled internally, an employee is more likely to be suspended or put on probation than to be terminated for their crime.

**Answer: B**

**Question: 39**

[Fraud Risk Management]

Based on research regarding the criminogenic nature of organizations, employees with strong personal values and ethics will always disobey a superior's direct order to engage in fraudulent behavior, despite an inherent desire to obey authority

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figures.

- A. True
- B. False

**Answer: B**

### Question: 40

[Fraud Risk Management]

Jenny is a highly respected employee at XYZ Corp. Her husband's gambling addiction has caused them to have a significant amount of debt. Jenny begins stealing money from the company to cover

her husband's gambling losses. This situation best illustrates which leg of the Fraud Triangle?

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

**Answer: D**

### Question: 41

[Fraud Risk Management]

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**

### Question: 42

[Fraud Risk Management]

Which of the following theories suggests that, when considering the possibility of violating a law, people are likely to ask themselves. "What will my spouse think if they find out?"

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- A. Social control theory
  - B. Operant theory
  - C. Cognitive theory
  - D. Behavioral theory

**Answer: A**

### Question: 43

[White-Collar Crime]

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

**Answer: B**

### Question: 44

[White-Collar Crime]

Which of the following is one of the components of the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Enterprise Risk Management—Integrating with Strategy and Performance?

- A. Event avoidance
- B. Risk tolerance
- C. Compliance
- D. Review and revision

**Answer: D**

### Question: 45

[Corporate Governance]

Which of the following is NOT a factor that directors and management should consider when developing a corporate governance framework for an organization?

- A. The legal and regulatory environment in which the organization operates

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- B. The ability of the framework to remain static during changes in the corporate landscape
  - C. The organization's ethical environment
  - D. The organization's cultural environment

**Answer: B**

### Question: 46

[Fraud Deterrence]

During an external audit of an organization's financial statements, Peter, the external auditor, uncovers significant internal control deficiencies at the audit client's organization. He believes these deficiencies could result in a material misstatement of the financial statements. Which of the following should Peter do with regard to these findings?

- A. Peter should make a public announcement that he is withdrawing from the audit engagement.
- B. Peter should provide a written communication about the findings to those charged with governance.
- C. Peter should report the findings in writing directly to the appropriate regulatory agencies
- D. Peter should discreetly work with senior management to correct the underlying internal control deficiencies.

**Answer: B**

### Question: 47

[Ethical Responsibilities of the Fraud Examiner]

Blue, Inc. is a specialty retailer of customized shipping containers. The company receives a very large order from Green Company, a new customer from a country that is known to have high corruption risks. Which of the following is MOST ACCURATE regarding the due diligence procedures Blue should perform on Green before proceeding with this transaction?

- A. Blue should consider Green's expected purchasing pattern and method of payment in determining whether to accept the transaction.
- B. Blue only needs to undertake due diligence procedures if Green is requesting to pay on credit.
- C. Blue should perform the same level of due diligence as it would for any other customer to avoid claims of discrimination.
- D. Blue does not need to undertake any specific due diligence procedures for this transaction.

**Answer: A**

### Question: 48

[Fraud Risk Management]

Which of the following is a best practice to ensure a successful fraud reporting program?

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- A. The company should communicate that fraud, waste, and abuse are more likely to occur in large organizations than small ones.
  - B. The company should require employees with information about potential fraud to report it directly and only to their immediate supervisor.
  - C. Employees are held accountable for reporting tips that are not able to be substantiated.
  - D. Employees should be informed that, to the extent possible, their names will not be disclosed.

**Answer: D**

**Question: 49**

[Fraud Risk Management]

In response to an employee's failure to meet performance expectations, a manager demotes the employee to a junior-level position. This is an example of what type of behavioral response?

- A. Positive reinforcement
- B. Negative reinforcement
- C. Punishment
- D. None of the above

**Answer: C**

**Question: 50**

[Fraud Risk Management]

Who is ultimately responsible for responding appropriately to instances of fraud within an organization?

- A. Internal auditors
- B. The audit committee
- C. General counsel
- D. Management

**Answer: D**

**Question: 51**

[Fraud Deterrence]

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

- A. True

B. False

**Answer: B**

### **Question: 52**

[Fraud Risk Management]

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

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

**Answer: C**

### **Question: 53**

[Ethical Responsibilities of the Fraud Examiner]

In the context of fraud examination, integrity requires all of the following EXCEPT:

- A. An ability to analyze situations where no professional rules are specifically applicable and determine right from wrong
- B. Subordination of desires for personal gain to the interests of clients, employers, and the public
- C. Independence of mental attitude
- D. Avoidance of differences of opinion

**Answer: D**

### **Question: 54**

[Fraud Risk Management]

According to Silk and Vogel's research, business leaders rationalize legal violations by asserting that compliance with government regulations is too costly and cuts too heavily into company profits.

- A. True
- B. False

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**Answer: A**

**Question: 55**

[Fraud Deterrence]

Professional auditing standards require that auditors incorporate an "element of unpredictability" in the selection of auditing procedures to be performed.

- A. True
- B. False

**Answer: A**

**Question: 56**

[Ethical Responsibilities of the Fraud Examiner]

Stevens, a Certified Fraud Examiner (CFE), was hired to conduct a fraud examination at ABC Company. His examination did not reveal any conclusive evidence that fraud had occurred or was occurring. Consequently, ABC's management asked Stevens to state in his official examination report that the organization is free of fraud as a means of assuring the board of directors that the company's anti-fraud controls were effective. Under the ACFE Code of Professional Ethics, Stevens is permitted to comply with management's request based on the findings of his examination.

- A. True
- B. False

**Answer: B**

**Question: 57**

[Fraud Risk Management]

Jones, an accounting manager for a software company, wants to improve her team's adherence to the company's formal accounting policies and procedures and reduce the number of process exceptions they experience. According to behaviorist theories, which of the following options would be the most effective way for Jones to condition her staff to follow the company's formal accounting processes?

- A. Demote employees who do not adhere to the expected processes.
  - B. Publicly call out and criticize employees who deviate from the formal processes.
  - C. Offer a bonus to anyone who experiences no process exceptions for ninety days.
  - D. Take away a day of paid time off for each process exception.
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**Answer: C**

**Question: 58**

[Fraud Risk Management]

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**

**Question: 59**

[Ethical Responsibilities of the Fraud Examiner]

Which of the following statements regarding recommended vendor due diligence procedures is MOST ACCURATE?

- A. An organization should subject vendors to an internal audit conducted by the organization's own auditors before agreeing to do business with them.
- B. An organization should avoid revealing that it is seeking information about potential vendors prior to starting a relationship with them.
- C. An organization should request that new vendors fill out a questionnaire about their background immediately after signing a contract with them.
- D. An organization should include a clause in the contract requiring the vendor to report any misconduct before entering into an agreement with them.

**Answer: D**

**Question: 60**

[Fraud Risk Management]

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

**Question: 61**

[Fraud Deterrence]

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**

**Question: 62**

[Fraud Risk Management]

Which of the following criminological theories asserts that the three elements that have the most influence on crime are the availability of suitable targets, absence of capable guardians, and presence of motivated offenders?

- A. Rational choice theory
- B. Differential association theory
- C. Routine activities theory
- D. Social control theory

**Answer: C**

**Question: 63**

[Fraud Risk Management]

During the course of a fraud examination. While, an employee of the ABC Corp.. approaches Blue, a Certified Fraud Examiner (CFE), and tells Blue that she wishes to furnish information in confidence.

Blue also is employed by the ABC Corp. Blue should:

- A. Tell White that she will try to keep the information as confidential as possible
  - B. Agree that the information will be held in confidence, even though Blue knows it will not be
  - C. Take White's request straight to ABC Corp.'s management
  - D. Not agree to the request for confidentiality
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**Answer: D**

**Question: 64**

[Fraud Risk Management]

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**

**Question: 65**

[Fraud Risk Management]

Gregory, an internal auditor, and Brandon, the company's purchasing manager, have had several heated disagreements over purchasing procedures and policies. Gregory has just been told that he will be the lead on the company's fraud risk assessment. During the fraud risk assessment. Gregory should:

- A. Confront Brandon about the disagreements and discuss how they increase the organization's risk of fraud-
- B. Have someone else perform the fraud risk assessment work related to the purchasing function
- C. Include his disagreements with Brandon as a factor when assessing the risk of fraud in the purchasing function.
- D. Automatically designate the purchasing function as a high-risk area.

**Answer: C**

**Question: 66**

[Fraud Prevention]

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. To avoid legal problems in discharging employees, the anti-fraud policy should not include any specific examples of fraud and misconduct.
  - C. In developing the anti-fraud policy, management should check with legal counsel regarding any legal considerations with respect to the policy.
  - D. One of the most important considerations in developing the anti-fraud policy is to ensure every allegation is handled in a uniform manner.
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**Answer: B**

**Question: 67**

[Fraud Prevention]

Employee anti-fraud education should:

- A. Include descriptions of the procedures that management uses to detect fraud.
- B. Include examples of prior employee misconduct and how those situations were handled.
- 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: B**

**Question: 68**

[Ethical Responsibilities of the Fraud Examiner]

Which of the following is NOT considered a conflict of interest that is prohibited under the ACFE Code of Professional Ethics?

- A. Accepting an assignment to secretly infiltrate the fraud examiner's employing organization and transmit inside information to another party
- B. Undertaking an engagement that decreases the fraud examiner's ability to perform their duties for their full-time employer
- C. Accepting an assignment to evaluate the anti-fraud controls at an organization in which the fraud examiner is a shareholder, provided the fraud examiner's ownership interest is disclosed
- D. Undertaking engagements for both sides in a case of alleged vendor overbilling

**Answer: C**

**Question: 69**

[Fraud Deterrence]

Which of the following is TRUE regarding the internal audit function's reporting responsibilities pertaining to fraud?

- A. The internal audit function should discuss how and when to report fraud-related issues with senior management and the board of directors before such issues arise.
  - B. The internal audit function is permitted, but not required, to periodically report about the organization's fraud risks to senior management and the board of directors.
  - C. The internal audit function should not disclose the results of its fraud audits to senior management or the board of directors in order to maintain independence.
  - D. The internal audit function is not permitted to communicate with the board of directors about fraud, as that is the
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responsibility of external auditors.

**Answer: A**

**Question: 70**

[Fraud Risk Management]

During a fraud risk assessment, the assessment team determines that it would like to observe the interactions among several employees as they collectively discuss the organization's current fraud awareness training. Which of the following techniques would be MOST HELPFUL for the team to use in gathering this information?

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

**Answer: A**

**Question: 71**

[Fraud Deterrence]

Professional auditing standards suggest that auditors incorporate an "element of predictability" in the selection of auditing procedures to be performed so that they ensure the same areas are tested in the same manner during each audit.

- A. True
- B. False

**Answer: B**

**Question: 72**

[Fraud Prevention]

The objective of anti-fraud controls is to:

- A. Completely eliminate inherent fraud risk.
  - B. Reduce the inherent fraud risk to a level that is significantly smaller than the residual fraud risk.
  - C. Completely eliminate residual fraud risk
  - D. Reduce the residual fraud risk to a level that is significantly smaller than the inherent fraud risk
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**Answer: D**

**Question: 73**

[Fraud Risk Management]

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

- A. The team members should have experience in gathering and eliciting information
- B. The team members might include both internal and external sources.
- C. The team size should be limited to a maximum of three individuals
- D. The team should consist of individuals with diverse knowledge, skills, and perspectives

**Answer: C**

**Question: 74**

[Fraud Risk Management]

Glend

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

**Answer: D**

**Question: 75**

[Fraud Risk Management]

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. Use a checklist of initiatives to make sure all the elements of a strong tone at the top are in place
  - B. Create an environment in which employees are dissuaded from challenging management's decisions
  - C. Visibly adhere to the same set of ethics policies that is required of all employees
  - D. All of the above
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**Answer: C**

**Question: 76**

[White-Collar Crime]

According to the 2020 Report to the Nations, \_\_\_\_\_ schemes are the MOST COMMON form of occupational fraud, while \_\_\_\_\_ schemes are the MOST COSTLY form of occupational fraud.

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

**Answer: D**

**Question: 77**

[Fraud Prevention]

Formally documenting and communicating organizational hierarchies, including the proper flow of information, can hinder an organization's fraud prevention initiatives.

- A. True
- B. False

**Answer: B**

**Question: 78**

[Ethical Responsibilities of the Fraud Examiner]

Which of the following is NOT considered a conflict of interest that is prohibited under the ACFE Code of Professional Ethics?

- A. Undertaking an engagement that decreases the fraud examiner's ability to perform their duties for their full-time employer
  - B. Accepting an assignment to assess red flags of fraud at an organization in which the fraud examiner is a partner, provided the fraud examiner's ownership interest is disclosed
  - C. Undertaking engagements for both sides in a case of an alleged product substitution scheme
  - D. Accepting an assignment to secretly infiltrate the fraud examiner's employing organization and transmit inside information to another party
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**Answer: B**

**Question: 79**

[Fraud Risk Management]

Green, a Certified Fraud Examiner (CFE), had an ethical dilemma regarding her business contract with her professional partners. Which of the following sources of guidance would be considered the lowest level of reference to help Green in determining the most ethical course of action?

- A. Contract law
- B. Guidance from her family and friends
- C. The ACFE Code of Professional Ethics
- D. Philosophical principles related to ethics

**Answer: B**

**Question: 80**

[Fraud Risk Management]

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: B**

**Question: 81**

[Fraud Risk Management]

Smith, a retail sales manager, wants to decrease the level of cash register over-and-short discrepancies among his sales team. According to behaviorist theories, which of the following

options would be the MOST EFFECTIVE way for Smith to encourage his team members to keep their cash drawers in balance?

- A. Offer a bonus to anyone whose drawer reconciles perfectly for sixty days.
  - B. Publicly call out and criticize employees whose cash drawers are over or short.
  - C. Take away an hour of paid time off for each time the drawer is over or short
  - D. Demote employees who continue to have reconciliation discrepancies
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**Answer: A**

**Question: 82**

[Corporate Governance]

Which of the following is NOT a responsibility of the organization's board of directors?

- A. Serving as the intermediaries between shareholders and management
- B. Acting as guardians of the organization's resources and assets
- C. Directing employees to execute business activities
- D. Assessing the strategy and underlying purpose of management's decisions and actions

**Answer: C**

**Question: 83**

[Ethical Responsibilities of the Fraud Examiner]

Daniela, an independent Certified Fraud Examiner (CFE), was hired by Charles, executive director of a nonprofit organization, to investigate a straightforward embezzlement case. During the investigation, Daniela learns that Charles is involved in an unrelated fraud. Under the ACFE Code of Professional Ethics, Daniela should:

- A. Tell the nonprofit's board of trustees about Charles
- B. Report Charles to law enforcement
- C. Not disclose the information about Charles.
- D. Resign from the engagement.

**Answer: A**

**Question: 84**

[Fraud Risk Management]

Reputational damage is an indirect cost of fraud that can be difficult for organizations to calculate.

- A. True
  - B. False
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**Answer: A**

**Question: 85**

[Fraud Risk Management]

Is the criminological theory that presents crime as a conscious decision that can be deterred by reducing opportunities for criminal activity and increasing the personal risk to an Individual of being caught and punished.

- A. Differential association theory
- B. Routine activities theory
- C. Justification of action theory
- D. Rational choice theory

**Answer: D**

**Question: 86**

[Ethical Responsibilities of the Fraud Examiner]

XYZ, Inc. Is a specialty retailer of high-end ergonomic office furniture. The company receives a very large order from ABC Company, a new customer in a different country that wants to pay on credit. Which of the following is MOST ACCURATE regarding the due diligence procedures XYZ should perform on ABC before proceeding with this transaction?

- A. XYZ only needs to undertake due diligence procedures if ABC conducts business in countries with known corruption risks.
- B. XYZ does not need to take any specific procedures to verify ABC's identity before accepting the transaction
- C. XYZ should examine ABC's net worth as part of deciding whether to allow the purchase on credit. D. XYZ should perform the same level of due diligence as it would for any other customer to avoid claims of discrimination

**Answer: C**

**Question: 87**

[Fraud Risk Management]

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

- A. Withdrawal of financial institution funding
  - B. Strong intervention of the government
  - C. Consumer action to force change
  - D. Voluntary changes in corporate attitudes and structure
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**Answer: A**

**Question: 88**

[Ethical Responsibilities of the Fraud Examiner]

While, 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**

**Question: 89**

[Fraud Risk Management]

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: B**

**Question: 90**

[Fraud Deterrence]

Which of the following is TRUE regarding government auditors' responsibilities to report evidence of potential fraud uncovered during an audit of a public-sector organization's financial statements?

- A. All government auditors maintain the same requirements for reporting evidence of potential fraud uncovered during a public-sector financial statement audit.
  - B. Government auditors are legally prohibited from reporting evidence of potential fraud to any parties outside the organization being audited.
  - C. Government auditors' reporting requirements pertaining to fraud are substantially the same as those for external auditors in the private sector.
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D. The requirements for government auditors to report evidence of potential fraud depend on the jurisdiction and the specific audit mandate.

**Answer: D**

### **Question: 91**

[Corporate Governance]

Which of the following is among the board of directors' primary responsibilities related to fraud risk management?

- A. Overseeing the organization's fraud risk management activities
- 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: A**

### **Question: 92**

[Fraud Prevention]

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

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

**Answer: B**

### **Question: 93**

[Fraud Risk Management]

Fraud risks related to regulatory and legal misconduct include all of the following EXCEPT:

- A. Fraudulent customer payments
  - B. Anti-competitive practices
  - C. Insider trading
  - D. Conflicts of interest
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**Answer: A**

**Question: 94**

[Fraud Prevention]

Who is ultimately responsible for ensuring the effectiveness of the organization's anti-fraud program?

- A. Internal auditors
- B. The compliance function
- C. Management
- D. External auditors

**Answer: C**

**Question: 95**

[Ethical Responsibilities of the Fraud Examiner]

Which of the following would MOST LIKELY be a violation of the ACFE Code of Professional Ethics?

- A. Rodrigo, a CFE, uncovered several material Internal control deficiencies unrelated to the Kickback scheme he was Investigating. In his final report to management, Rodrigo included information about the deficiencies even though they were unrelated to the situation he was hired to investigate.
- B. Vivian, a CFE, accepted an assignment to conduct a fraud examination within a manufacturing company. Because she was in a hurry to complete the investigation, she overlooked key items of evidence and ended up failing to uncover a major fraud scheme.
- C. Tom, a CFE, was hired by a client to conduct a fraud examination but found nothing amiss. A year later, he received a court order to provide the client's file to the ordering court. Tom complied with the court order, even though he did not have the client's authorization to do so.
- D. All of the above are violations.

**Answer: D**

**Question: 96**

[Fraud Prevention]

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

- A. It replaces the need for individuals to consult their own conscience.
  - B. It facilitates practical enforcement and profession-wide Internal discipline.
  - C. It serves as a reference and benchmark for ethical guidance
  - D. It provides more direct solutions to professional ethical dilemmas than might exist under general ethical principles
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**Answer: A**

**Question: 97**

[Fraud Deterrence]

During an external audit, the audit team identifies evidence that management has intentionally manipulated the organization's reported revenue amount. However, the amount of the resulting misstatement does not meet the quantitative materiality threshold for the audit. Which of the following is TRUE regarding this situation?

- A. The auditors should reconsider the reliability of the audit evidence they have previously obtained.
- B. The auditors should assume that all audit evidence collected previously is unreliable and withdraw from the audit engagement.
- C. The auditors should only consider the evidence if they can determine that the actions meet the legal definition of fraud.
- D. The auditors should regard the misstatement as immaterial to the audit because the omitted amount is less than the quantitative materiality threshold.

**Answer: A**

**Question: 98**

[Fraud Risk Management]

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

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

**Answer: D**

**Question: 99**

[Ethical Responsibilities of the Fraud Examiner]

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
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**Answer: A**

**Question: 100**

[Fraud Risk Management]

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

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

**Answer: A**

**Question: 101**

[Ethical Responsibilities of the Fraud Examiner]

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

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

**Answer: B**

**Question: 102**

[Fraud Deterrence]

According to the results of behavioral studies, such as those conducted by B. F. Skinner, application of punishment to undesired behavior typically results in which of the following?

- A. Increase in the occurrence of the undesired behavior
  - B. No effect on the occurrence of the undesired behavior
  - C. Temporary suppression of the undesired behavior
  - D. Permanent suppression of the undesired behavior
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**Answer: C**

**Question: 103**

[Fraud Risk Management]

The findings in the 2020 Report to the Nations include which of the following?

- A. The most commonly reported red flag displayed by fraud perpetrators prior to the detection of their crime is complaints about management.
- B. More occupational frauds are committed by men than by women
- C. The median losses caused by executives are lower than those caused by staff-level employees
- D. The majority of fraudsters have been previously punished by an employer for a fraud-related offense

**Answer: B**

**Question: 104**

[Corporate Governance]

ABC, Inc. is a publicly traded, multi-national corporation. Which of the following statements is TRUE regarding the corporate governance requirements that ABC is subject to?

- A. ABC must comply with specific listing standards for the stock exchange(s) on which it is listed
- B. ABC is required to comply with G20/OECD Principles of Corporate Governance
- C. ABC is not required to comply with any corporate governance requirements because it operates in multiple jurisdictions
- D. ABC is subject to the Universal Corporate Governance Act because it is a publicly traded corporation.

**Answer: A**

**Question: 105**

[Fraud Risk Management]

Having specialized departments within a company often increases the overall risk of fraud by the organization.

- A. True
  - B. False
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**Answer: A**

**Question: 106**

[White-Collar Crime]

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. Monitoring
- B. Control environment
- C. Independent Oversight
- D. Information and communication

**Answer: C**

**Question: 107**

[Fraud Deterrence]

In the area of criminological theory, deterrence is the theory that tries to prevent crime by using the threat of criminal sanctions.

- A. True
- B. False

**Answer: A**

**Question: 108**

[Fraud Risk Management]

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

- A. Rewards are given to employees who challenge the status quo
  - B. Management encourages employee loyalty through social functions
  - C. Management separates employee performance goals from company performance goals
  - D. All of the above
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**Answer: C**

**Question: 109**

[White-Collar Crime]

Which of the following is an example of organizational crime?

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

**Answer: D**

**Question: 110**

[Corporate Governance]

According to the Committee of Sponsoring Organizations of the Treadway Commission

(COSO), it is "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. Operational risk assessment
- B. Internal control
- C. Fraud risk management
- D. Financial reporting

**Answer: B**

**Question: 111**

[Fraud Prevention]

An effective system of anti-fraud controls

- A. Fully eliminates the risk of fraud
  - B. Focuses more on detective controls than preventive controls
  - C. Focuses more on preventive controls than detective controls
  - D. Increases the perception that fraud will be detected
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**Answer: C**

**Question: 112**

[Fraud Risk Management]

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

- A. True
- B. False

**Answer: B**

**Question: 113**

[Fraud Risk Management]

Employee support programs are a fraud prevention mechanism that addresses which leg of the Fraud Triangle

- A. Rationalization
- B. Lack of integrity
- C. Opportunity
- D. Pressure

**Answer: D**

**Question: 114**

[White-Collar Crime]

Which of the following is one of the components of the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Enterprise Risk Management—Integrating with Strategy and Performance?

- A. Independent monitoring
- B. Operating environment
- C. Risk tolerance
- D. Governance and culture

**Answer: D**

**Question: 115**

[Ethical Responsibilities of the Fraud Examiner]

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Maria conducted a fraud examination that led to a valid confession of guilt from Rita.

a. 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: A**

### Question: 116

[Fraud Risk Management]

Which of the following statements is FALSE?

- A. Controls are not effective 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. Educating employees about company hotlines and reporting programs increases their perception of detection
- D. Conducting covert audits is among the most effective fraud prevention methods

**Answer: D**

### Question: 117

[Ethical Responsibilities of the Fraud Examiner]

In the context of a fraud examination, integrity requires all of the following EXCEPT:

- A. Trustworthiness
- B. A well-developed sense of moral philosophy
- C. Avoidance of conflicts of interest
- D. Refusal to admit errors

**Answer: D**

### Question: 118

[Fraud Risk Management]

Which of the following is NOT included in the five fraud risk management principles described in the Fraud Risk Management Guide, a joint publication by COSO and the ACFE?

- A. Communicating the expectations of those governing the fraud risk management program
  - B. Performing comprehensive fraud risk assessments to identify specific fraud schemes
  - C. Deploying preventive and detective fraud control activities to mitigate fraud risk
  - D. Developing one-time evaluations for each fraud risk management principle
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**Answer: D**

**Question: 119**

[Fraud Risk Management]

To address an employee's consistent failure to meet deadlines, a manager removes the employee's ability to work from home. This is an example of what type of behavioral response?

- A. Positive reinforcement
- B. Negative reinforcement
- C. Punishment
- D. None of the above

**Answer: C**

**Question: 120**

[White-Collar Crime]

Which of the following is one of the recommendations made by the National Commission on Fraudulent Financial Reporting (the Treadway Commission) to reduce the probability of fraud in financial reports?

- A. Give shareholders oversight of hotline reporting programs
- B. Have adequate compensation committee resources and authority
- C. Develop a written charter for management
- D. Have a mandatory independent audit committee

**Answer: D**

**Question: 121**

[Corporate Governance]

Which principle of corporate governance pertains to the disclosure of all material matters that the shareholders need to make timely and informed decisions regarding their investment in the company?

- A. Transparency
  - B. Fairness
  - C. Responsibility
  - D. Accountability
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**Answer: A**

**Question: 122**

[Fraud Risk Management]

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

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

**Answer: B**

**Question: 123**

[Fraud Prevention]

Consistently punishing perpetrators can be an effective fraud prevention mechanism

- A. True
- B. False

**Answer: A**

**Question: 124**

[Fraud Deterrence]

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. Reporting to regulators regarding the entity's vulnerability to fraud
  - C. Overseeing management's actions to manage fraud risks
  - D. Attesting that the organization's financial statements are free of material misstatements caused by fraud
-

**Answer: A**

**Question: 125**

[Fraud Risk Management]

Risk management is focused on balancing the organization's

with its

- A. Internal controls; financial reporting model
- B. Regulatory requirements, risk appetite
- C. Objectives; resources
- D. Risk appetite, ability to meet its objectives

**Answer: D**

**Question: 126**

[Fraud Deterrence]

During an external audit of an organization's financial statements. Elena, the external auditor, uncovers significant internal control deficiencies at the audit client's organization. She believes these deficiencies could result in a material misstatement of the financial statements. Which of the following should Elena do with regard to these findings?

- A. Elena should suspend the audit and begin a new audit focused on the internal controls
- B. Elena should report the findings in writing to the appropriate law enforcement agencies.
- C. Elena should provide a written communication about the findings to senior management.
- D. Elena should work independently to correct the underlying internal control deficiency.

**Answer: C**

**Question: 127**

[Fraud Deterrence]

Susannah is conducting an external audit of a company in a jurisdiction that is subject to International Standards on Auditing (ISAs). While undertaking her audit procedures, she discovers evidence that senior management has been fraudulently manipulating the financial statements. Which of the following is Susannah's BEST response to these findings?

- A. Susannah should confront management with her audit findings and try to get a confession.
- B. Susannah should immediately report her findings to the securities regulators
- C. Susannah should report her findings to the audit committee of the board of directors.
- D. Susannah should not disclose her findings to any other parties due to client confidentiality.

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**Answer: C**

**Question: 128**

[Fraud Deterrence]

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

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

**Answer: B**

**Question: 129**

[Fraud Risk Management]

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

- A. The fraud risk assessment can be effectively conducted by people inside or outside of the organization.
- B. To ensure the independence of the team members, a fraud risk assessment must be conducted by a consultant or other external party.
- C. If the individuals conducting the fraud risk assessment truly believe that fraud could not happen at the organization, then 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**

**Question: 130**

[Fraud Risk Management]

Jody has been working at ABC Corp. for ten years. He steals funds from the company and tells himself that the company owes it to him for his "unrewarded hard work and loyalty" This situation BEST illustrates which leg of the Fraud Triangle?

- A. Perceived non-shareable financial need
  - B. Rationalization
  - C. Perceived opportunity
  - D. Lack of personal integrity
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**Answer: B**

**Question: 131**

[Ethical Responsibilities of the Fraud Examiner]

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**

**Question: 132**

[Corporate Governance]

Which of the following is TRUE regarding corporate governance?

- A. Fraud risk management is considered to be the foundation of effective corporate governance
- B. Corporate governance's primary purpose is to ensure the accuracy of the organization's financial reports
- C. Effective corporate governance practices are most necessary in an organization in which the owners are also the individuals responsible for setting the corporate strategy.
- D. An entity's corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organization

**Answer: D**

**Question: 133**

[Fraud Risk Management]

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 assess whether there is a moderate-to-high risk of management overriding controls within the moderate-to-high fraud risk areas.
  - B. It should be used to replace the auditor's own identification and assessment of fraud risks.
  - 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.
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**Answer: B**

**Question: 134**

[Fraud Risk Management]

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**

**Question: 135**

[Fraud Risk Management]

The availability of suitable targets, absence of capable guardians, and presence of motivated offenders are the three most important elements that influence crime according to which of the following criminological theories?

- A. Conditioning theory
- B. Routine activities theory
- C. Rational choice theory
- D. Social control theory

**Answer: B**

**Question: 136**

[Fraud Risk Management]

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

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

**Question: 137**

[Fraud Risk Management]

According to the 2020 Report to the Nations, which of the following is the MOST COMMON method by which frauds are detected?

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

**Answer: C**

**Question: 138**

[Fraud Risk Management]

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

- A. Fraud examiners should not relax their skeptical attitudes under any circumstances.
- B. Professional skepticism involves maintaining a mindset that no fraud has occurred
- C. Fraud examiners should form the engagement hypothesis without regard to the nature of the assignment
- D. Professional skepticism can be dispelled only by evidence

**Answer: D**

**Question: 139**

[Fraud Risk Management]

International Standard on Auditing (ISA) 240 establishes auditors as being primarily responsible for the establishment of anti-fraud internal controls within an organization.

- A. True
  - B. False
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**Answer: B**

**Question: 140**

[White-Collar Crime]

Which of the following is one of the four recommendations made by the National Commission on Fraudulent Financial Reporting (the Treadway Commission) to reduce the probability of fraud in financial reports?

- A. Assign oversight of the hotline reporting program to company shareholders
- B. Have a mandatory independent finance committee
- C. Provide adequate resources and authority to the internal audit function
- D. Develop a written charter for the audit committee

**Answer: C**

**Question: 141**

[Fraud Risk Management]

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

- A. An ethics program should avoid addressing rewards for ethical behavior and sanctions for unethical behavior
- B. In designing the ethics program, management should consider how stakeholders throughout the organization define success
- C. To be most effective, access to the organization's ethics policy should be restricted to external parties such as vendors and customers
- D. Having a written ethics policy is sufficient to communicate management's ethical philosophy and serve as a comprehensive ethics program

**Answer: B**

**Question: 142**

[Criminology and Ethics]

Which of the following statements is TRUE according to rational choice theory?

- A. Crime originates from a rational and conscious decision made by the perpetrator in order to receive an intended benefit.
  - B. Crime originates from an instinctual response to external stimuli without any rational or conscious decision by the perpetrator.
  - C. Crime can be deterred by increasing the personal benefit to potential perpetrators.
  - D. Crime can be deterred by decreasing the personal risk to potential perpetrators.
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**Answer: A**

**Question: 143**

[Fraud Deterrence]

Alicia, a government auditor, is conducting a financial statement audit of a public-sector entity in accordance with the International Standards of Supreme Audit Institutions. Which of the following is TRUE regarding Alicia's consideration of fraud during this engagement?

- A. In conducting the audit, Alicia's objectives are likely narrower than those of a private-sector financial statement audit.
- B. Alicia must comply with the requirements found in International Standard on Auditing 240 as they apply to both private- and public-sector audits.
- C. Alicia should focus on potential fraud and does not need to consider the possibility of abuse or other misconduct during the audit engagement.
- D. If Alicia identifies fraud during the audit engagement, she must immediately withdraw from the engagement.

**Answer: B**

**Question: 144**

[Ethical Responsibilities of the Fraud Examiner]

Grace, a Certified Fraud Examiner (CFE), has accepted her first fraud examination engagement.

Before beginning the investigation, she reviews the ACFE Code of Professional Ethics to ensure that her behavior will comply with the Code. Which of the following actions is explicitly prohibited by the ACFE Code of Professional Ethics?

- A. Giving opinions regarding technical matters
- B. Participating in an activity with an undisclosed conflict of interest
- C. Engaging in an activity that is legal within her jurisdiction
- D. Providing conclusions based on discovered evidence

**Answer: B**

**Question: 145**

[Fraud Prevention]

Which of the following choices is an example of an anti-fraud control that is primarily detective in nature?

- A. Continuous audit techniques
  - B. Separation of employee duties
  - C. Employee background checks
  - D. Hiring policies and procedures
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**Answer: A**

**Question: 146**

[Fraud Deterrence]

Andrew, an internal auditor, is formalizing a process to identify and evaluate threats to his company's ability to achieve its objectives. Andrew's initiative BEST pertains to which component of the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control— Integrated Framework?

- A. Monitoring
- B. Control environment
- C. Risk assessment
- D. Control activities

**Answer: C**

**Question: 147**

[White-Collar Crime]

According to ACFE research, the most common method for detecting occupational fraud is:

- A. Tips
- B. Internal audit
- C. External audit
- D. Management review

**Answer: A**

**Question: 148**

[White-Collar Crime]

The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Enterprise Risk Management—Integrating with Strategy and Performance defines what as 'the continual iterative process of obtaining information and sharing it throughout the entity'?

- A. Performance
  - B. Strategy and objective-setting
  - C. Governance and culture
  - D. Information, communication, and reporting
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**Answer: D**

**Question: 149**

[Fraud Risk Management]

According to the routine activities theory, all of the following are important elements that influence crime EXCEPT:

- A. The presence of motivated offenders
- B. The lack of accountability for misdeeds
- C. The absence of capable guardians
- D. The availability of suitable targets

**Answer: B**

**Question: 150**

[Fraud Risk Management]

Mario is charged with implementing a fraud reporting program on behalf of his organization. Which of the following is a best practice that Mario should follow to ensure that the program is successful?

- A. Inform employees that the names of all individuals who report misconduct will be shared with the organization's management and law enforcement.
- B. Inform employees that they will be held accountable for reporting any tips that cannot be verified.
- C. Inform employees that they are required to report any information about suspected fraud only to their direct supervisor.
- D. Inform employees that they can make their report anonymously (where permitted by law).

**Answer: D**

**Question: 151**

[Fraud Risk Management]

Which of the following is BEST classified as a type of external fraud risk?

- A. Collusion between contractors
- B. Adding ghost employees to payroll
- C. Reporting revenue in the wrong period
- D. Embezzling incoming customer payments

**Answer: A**

**Question: 152**

[White-Collar Crime]

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According to ACFE research, which of the following is TRUE regarding the three major categories of occupational fraud?

- A. Identity theft is both the most common and costliest category of occupational fraud.
- B. Asset misappropriation schemes are the most common category of occupational fraud.
- C. Corruption schemes are the costliest category of occupational fraud.
- D. Financial statement fraud schemes are the most common category of occupational fraud.

**Answer: B**

### Question: 153

[Fraud Risk Management]

Devon, an employee at Tilly Corp., repeatedly demonstrates a negative attitude when working with other departments. To address this behavior, Devon's manager tells him that he is no longer allowed to lead cross-departmental projects. This is an example of what type of behavioral response?

- A. Positive reinforcement
- B. Negative reinforcement
- C. Punishment
- D. None of the above

**Answer: C**

### Question: 154

[Corporate Governance]

As part of its anti-fraud program, Elm Company is outlining the responsibilities of different stakeholders. Who is ultimately responsible for ensuring the effectiveness of the organization's antifraud program?

- A. Forensic accountants
- B. Management
- C. The compliance function
- D. Internal auditors

**Answer: B**

### Question: 155

[White-Collar Crime]

Eliece, a Certified Fraud Examiner (CFE), and Jewel are employees at Silver Inc. Jewel informs Eliece that she has knowledge of a potential financial statement fraud but does not feel comfortable sharing this information unless Eliece can promise that she will keep it confidential. How should Eliece respond?

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- A. Eliece should immediately contact management at Silver Inc. to provide information about her conversation with Jewel and her request for confidentiality.
  - B. Eliece should promise Jewel that she will keep the information confidential even though she knows that she will likely be unable to keep that promise.
  - C. Eliece should encourage Jewel to report the information to law enforcement because she cannot agree to Jewel's request.
  - D. Eliece should tell Jewel that she will try to keep the information as confidential as possible but she might have an ethical obligation to inform their employer.

**Answer: D**

### **Question: 156**

[Fraud Deterrence]

Josie is conducting an external audit of a company in a jurisdiction that is subject to International Standards on Auditing (ISAs). While conducting her audit procedures, she discovers evidence that Carissa, the company's chief financial officer, has been fraudulently manipulating the financial statements. Which of the following is Josie's BEST response to these findings?

- A. Josie should report her findings to those charged with governance of the organization.
- B. Josie should not disclose her findings to anyone until after she has conducted a full investigation.
- C. Josie should immediately report her findings to the local media.
- D. Josie should confront Carissa with her audit findings and try to get a confession.

**Answer: A**

### **Question: 157**

[Fraud Risk Management]

According to ACFE research, which of the following is TRUE?

- A. Men commit significantly more frauds than women do.
- B. Most fraudsters have previous criminal convictions for fraud-related offenses.
- C. An unwillingness to share duties is the most reported red flag displayed by fraud perpetrators prior to the detection of their crime.
- D. Frauds committed by staff-level employees cause higher median losses than those committed by owners and executives.

**Answer: C**

### **Question: 158**

[Criminology and Ethics]

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According to ACFE research, which of the following is TRUE regarding prosecutions of white-collar criminals?

- A. The most common internal response to a substantiated fraud case is to terminate the employee.
- B. Only a small percentage of perpetrators are punished when an organization handles a fraud case internally.
- C. Most fraud cases are only handled internally and are not referred to law enforcement for prosecution.
- D. The primary reason that organizations decline to prosecute fraud cases is a lack of evidence.

**Answer: A**

### Question: 159

[Corporate Governance]

Which of the following is TRUE regarding the G20/OECD Principles of Corporate Governance?

- A. They state that a corporate governance framework should promote transparent and fair markets and the efficient allocation of resources.
- B. They assert that a corporate governance framework should ensure that the treatment of shareholders differs based on the class of stock they own.
- C. They are intended to be applicable in emerging markets but not in developed economies.
- D. They are required to be implemented by all corporations in the jurisdictions that have officially adopted them.

**Answer: A**

### Question: 160

[Fraud Deterrence]

Which of the following is TRUE regarding International Standard on Auditing (ISA) 240?

- A. ISA 240 requires auditors to effectively raise awareness about the risk of fraud within the audited organization.
- B. ISA 240 establishes standards regarding the auditor's responsibility to consider fraud in an audit of financial statements.
- C. ISA 240 establishes auditors as being primarily responsible for the prevention and detection of fraud within an organization.
- D. ISA 240 creates requirements for management regarding the establishment of a holistic fraud risk management program.

**Answer: B**

### Question: 161

[Fraud Deterrence]

Julia, an internal auditor, is formalizing a process to evaluate the effectiveness of the company's control system over time, including both ongoing evaluations and periodic separate evaluations. Julia's initiative BEST pertains to which component of the

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Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control—Integrated Framework?

- A. Control activities
- B. Risk assessment
- C. **Monitoring**
- D. Control environment

**Answer: C**

### **Question: 162**

[Fraud Risk Management]

Joanna is leading the fraud risk assessment process for her organization. Which of the following considerations about the fraud risk assessment process is MOST ACCURATE and should be incorporated into Joanna's plans?

- A. To ensure the independence of the team members, a consultant or another external party must conduct the fraud risk assessment.
- B. If the individuals conducting the fraud risk assessment believe that fraud could not happen within the organization, then the assessment process should reflect that belief.
- C. The fraud risk assessment can be conducted effectively by people inside or outside of the organization.
- D. The fraud risk assessment is most effective when management's influence on the process is limited.

**Answer: C**

### **Question: 163**

[Fraud Deterrence]

During an external audit of an organization's financial statements, Saskia, the external auditor, uncovers significant internal control deficiencies at the organization. She believes these deficiencies could result in a material misstatement of the financial statements.

Which of the following should Saskia do regarding these findings?

- A. Saskia should provide a written communication about her findings to the relevant regulatory agencies.
- B. Saskia should suspend the current audit engagement and begin a new audit focused on the internal control deficiencies.
- C. Saskia should communicate the deficiencies in writing to those charged with governance.
- D. Saskia should withdraw from the audit engagement immediately and issue a disclaimer on any prior work performed.

**Answer: C**

### **Question: 164**

[Fraud Deterrence]

Aaron, a government auditor, is conducting a financial statement audit of a public-sector entity in accordance with the

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International Standards of Supreme Audit Institutions. Which of the following is TRUE regarding Aaron's consideration of fraud during this engagement?

- A. Aaron should remain alert for fraud but does not need to consider the potential for abuse or other misconduct during the audit engagement.
- B. Aaron does not need to comply with the requirements found in International Standard on Auditing 240 as they do not apply to the engagement.
- C. Aaron likely does not have the ability to withdraw from the engagement even if fraud is identified during the audit.
- D. Aaron's audit objectives are likely narrower than those of a private-sector financial statement audit.

**Answer: C**

### **Question: 165**

[White-Collar Crime]

Which of the following scenarios is the MOST ACCURATE representation of organizational crime?

- A. A retail clerk colluding with a friend to commit a scheme involving fraudulent returns.
- B. An inventory manager taking home the company's product to sell privately.
- C. An agreement between all the local floral companies to unnecessarily raise prices.
- D. An accountant uses company funds to pay personal credit card charges.

**Answer: C**

### **Question: 166**

[Fraud Risk Management]

Which of the following is BEST classified as a type of external fraud risk?

- A. Adding ghost employees to payroll.
- B. Embezzling incoming customer payments.
- C. Collusion between contractors.
- D. Reporting revenue in the wrong period.

**Answer: C**

### **Question: 167**

[Ethical Responsibilities of the Fraud Examiner]

Which of the following statements regarding recommended vendor due diligence procedures is MOST ACCURATE?

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- A. An organization should avoid revealing that it is seeking information about potential vendors prior to starting its relationship with them.
  - B. An organization should perform audits of potential vendors before agreeing to conduct business with them.
  - C. An organization should request that new vendors complete a questionnaire about their background immediately after signing a contract with them.
  - D. An organization should ensure that vendors have their own ethics and compliance program before engaging in any transactions with them.

**Answer: D**

### **Question: 168**

[Corporate Governance]

Which of the following is included in the G20/OECD Principles of Corporate Governance?

- A. A requirement for a corporate governance framework that protects the exercise of management's rights.
- B. Support for the equal treatment of all members of an organization's governing body.
- C. A request that governments implement effective internal controls to support good corporate governance practices.
- D. An emphasis on the importance of timely, accurate and transparent disclosure mechanisms.

**Answer: D**

### **Question: 169**

[Corporate Governance]

As part of its anti-fraud program, Oak Company is outlining the responsibilities of different stakeholders. Who is ultimately responsible for setting the organization's ethical tone?

- A. General counsel
- B. Human resources
- C. Management
- D. Fraud examiners

**Answer: C**

### **Question: 170**

[Fraud Prevention]

Which of the following statements is MOST ACCURATE regarding best practices that organizations can take to protect and support whistleblowers?

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- A. Organizations should implement a clear whistleblower policy that lists every type of misconduct that has ever been reported at the company.
  - B. Organizations should publicize their whistleblower policies and procedures to individuals both inside and outside of the organization.
  - C. Organizations should include in their whistleblower policies the specific penalties that people might encounter for refusing to report known misconduct.
  - D. Organizations should emphasize that rules regarding whistleblower protections are only intended for lower-level employees who might be more vulnerable to retaliation.

**Answer: B**

**Question: 171**

[Fraud Risk Management]

Mary is charged with implementing a fraud reporting program on behalf of her organization. Which of the following is a best practice that Mary should follow to ensure that the program is successful?

- A. Mary should inform employees that the names of all individuals who report misconduct will be shared with the organization's governing body and law enforcement.
- B. Mary should inform employees that they are required to report any information about potential fraud directly and only to their immediate supervisor.
- C. Mary should inform employees of the precise methods for reporting potential fraud, such as completing an online form.
- D. Mary should inform employees that they will be held accountable for reporting tips that cannot be verified.

**Answer: C**

**Question: 172**

[Fraud Risk Management]

According to Silk and Vogel's research, which of the following is one of the ways that businesses rationalize illegal conduct?

- A. Government regulations are justified because the additional costs of regulations and bureaucratic procedures increase government profits.
  - B. Violations are caused by innocent errors in judgment rather than economic necessity.
  - C. Government regulation is unnecessary because the matters being regulated are unimportant.
  - D. Corporate violations that involve large sums of money are often spread among so many organizations that each gains very little individually.
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**Answer: D**

**Question: 173**

[White-Collar Crime]

Which of the following is one of the four recommendations made by the National Commission on Fraudulent Financial Reporting (the Treadway Commission) to reduce the probability of fraud in financial reports?

- A. Provide adequate resources and authority to the internal audit function.
- B. Have a mandatory independent finance committee.
- C. Assign oversight of the hotline reporting program to company shareholders.
- D. Develop a written charter for the audit committee.

**Answer: A**

**Question: 174**

[Criminology and Ethics]

Which of the following is one of the assertions or principles of the theory of differential association?

- A. Criminal behavior is learned using the same mechanisms as other learning.
- B. Criminal behavior is learned through a process that is the same as imitation.
- C. Criminal behavior is explained by an individual's general needs and values.
- D. Criminal behavior is acquired through casual interactions in large groups.

**Answer: A**

**Question: 175**

[Corporate Governance]

Aqua Corp.'s board of directors is meeting to discuss fraud risk management within the organization. Which of the following activities is among the board of directors' primary responsibilities related to fraud risk management for the company?

- A. Overseeing the organization's fraud risk management activities.
  - B. Monitoring and proactively improving the fraud risk management program.
  - C. Performing and regularly updating the fraud risk assessment.
  - D. Implementing the fraud risk management program throughout the organization.
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**Answer: A**

**Question: 176**

[Fraud Risk Management]

According to criminologist Charles McCaghy, which of the following is the most compelling factor behind deviance by organizations?

- A. Executive failures
- B. Excessive regulatory requirements
- C. Profit pressure
- D. Unethical corporate culture

**Answer: C**

**Question: 177**

[Fraud Risk Management]

Gian is a manager at Ram Co. and is tasked with building the company's fraud risk management program. As a starting point, Gian wants to formally define the program's objectives. Which of the following is TRUE regarding the process of defining the objectives of the fraud risk management program?

- A. Gian must ensure that the company's investment in the fraud risk management program outweighs the benefit of those controls.
- B. When expressing the organization's risk appetite, Gian should do so without regard to the company's culture or operations.
- C. Gian must assign both a quantitative and qualitative measure to the company's risk appetite to accurately measure the program's effectiveness.
- D. Gian should examine previous fraud occurrences to determine how the ideal fraud risk management program would have prevented them.

**Answer: D**

**Question: 178**

[Fraud Risk Management]

Which of the following is one of the three general methods used to control corporate crime?

- A. Pressure from changes in the competitive environment
  - B. Lowered regulatory enforcement by the government
  - C. Loss of funding from financial institutions
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D. Demands from consumers to change

**Answer: A**

**Question: 179**

[Fraud Risk Management]

Which of the following is a TRUE statement regarding fraud risks?

- A. Inherent risks are risks that remain after efforts are made to mitigate fraud risk.
- B. The objective of anti-fraud controls is to completely eliminate the inherent fraud risk.
- C. The objective of anti-fraud controls is to reduce the residual fraud risk to a level that is significantly lower than the inherent fraud risk.
- D. Residual risks are risks that are present before the effect of internal controls.

**Answer: C**

**Question: 180**

[Criminology and Ethics]

Which of the following factors is the determining aspect of white-collar crime according to modern criminological studies?

- A. Educational background
- B. Organizational opportunity
- C. Psychological temperament
- D. Social status

**Answer: B**

**Question: 181**

[White-Collar Crime]

Which of the following is TRUE regarding the components of the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control—Integrated Framework (the Framework)?

- A. Determining the effectiveness of an organization's internal control system involves assessing whether all of the identified components are in place and functioning effectively.
  - B. Determining the effectiveness of an organization's internal control system involves assessing whether the identified components meet minimum legal and compliance requirements.
  - C. Independent oversight is one of the primary components of internal control identified in the Framework.
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D. The Framework identifies ten components of internal control that must all be in place for the internal control system to be effective.

**Answer: A**

### **Question: 182**

[Fraud Risk Management]

Helene has been working at WPX Corp. for nine years. She takes some of the company's products from the warehouse and sells them online. Helene tells herself that the company owes it to her for her "years of underpaid service." This situation BEST illustrates which component of the Fraud Triangle?

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

**Answer: B**

### **Question: 183**

[Fraud Deterrence]

At the end of an engagement, a Certified Fraud Examiner (CFE) might provide a report to their client about the information uncovered during the investigation. Which of the following statements is TRUE regarding the potential privilege that applies to this report?

- A. A fraud examiner's report is considered privileged information and is therefore protected from being legally demanded by outside parties.
- B. A fraud examiner's report may be privileged from disclosure in certain circumstances, but it does not have an absolute legal privilege.
- C. A fraud examiner's report is privileged from disclosure by anyone other than the client.
- D. A fraud examiner's report is only privileged from disclosure if the author is also a professional legal advisor.

**Answer: B**

### **Question: 184**

[Fraud Risk Management]

Which of the following mechanisms can help alleviate the pressure on employees to commit fraud?

- A. Employee monitoring software

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- B. Employee support programs
  - C. Discipline policies
  - D. Background check policies

**Answer: B**

**Question: 185**

[Fraud Risk Management]

According to social control theory, which of the following questions are people MOST LIKELY to ask themselves when considering the possibility of violating the law?

- A. "How can I prevent someone from learning what I did?"
- B. "How likely am I to be punished for this crime?"
- C. "Will I lose my job if my actions are discovered?"
- D. "What will my parents think if they find out?"

**Answer: D**

**Question: 186**

[Fraud Risk Management]

Luis, the internal audit manager for Oak Corporation, is working to formally incorporate the company's fraud risk assessment into its audit process. Which of the following is NOT a way that Oak's audit team should use the fraud risk assessment process and results as part of their audits?

- A. To inform the development of audit programs for areas that have been identified as having a high risk of fraud.
- B. To confirm whether there is conclusive evidence that fraud is occurring within the company.
- C. To validate whether the organization is appropriately managing moderate-to-high fraud risks.
- D. To design audit tests to evaluate whether fraud risk controls are operating effectively.

**Answer: B**

**Question: 187**

[Fraud Risk Management]

Which of the following factors increases an organization's inherent inclination toward committing crime according to Diane Vaughan's research?

- A. Management seeks diversity in attitudes and perspectives when hiring employees.
  - B. Management separates employee performance goals from company performance goals.
  - C. Management encourages employee loyalty through social functions.
  - D. Management rewards employees who challenge how the company functions.
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**Answer: B**

**Question: 188**

[Fraud Risk Management]

Willow, Inc. has a complex organizational structure with many specialized departments. The structure of Willow, Inc. increases the likelihood that fraud will go undetected within the organization.

- A. True
- B. False

**Answer: B**

**Question: 189**

[Corporate Governance]

Which of the following is a responsibility of an organization's board of directors?

- A. Serving as the intermediary between staff-level employees and management.
- B. Assessing the strategy and underlying purpose of management's decisions and actions.
- C. Electing the company shareholders and supervising their decisions and actions.
- D. Directing employees to organize and execute business activities.

**Answer: B**

**Question: 190**

[Fraud Risk Management]

Hart, Inc. hired Kathleen, a risk management expert, to design a risk management program for the organization. Kathleen should focus on balancing which of the following two factors when creating the program?

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

**Answer: A**

**Question: 191**

[Fraud Prevention]

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Which of the following statements regarding monitoring employees for warning signs of fraud is MOST ACCURATE?

- A. Employees who steal do not commonly display lifestyle or behavioral warning signs of their misdeeds.
- B. An increase in employee wealth is always a sign of fraud that should be investigated.
- C. Managers should only observe employees for signs of suspicious behavioral or lifestyle changes if they can do so without the employees' knowledge.
- D. Managers should be instructed to observe employees for any unusual lifestyle improvements, such as an unexplained increase in luxury purchases.

**Answer: D**

### Question: 192

[Fraud Prevention]

A professional organization's code of conduct serves which of the following purposes?

- A. It functions as a reference and benchmark for ethical guidance.
- B. It offers fewer and less direct solutions to professional ethical dilemmas than might exist under general ethical principles.
- C. It acts as a substitute for legal and regulatory requirements that apply to the profession.
- D. It replaces the need for individuals to consult their own principles.

**Answer: A**

### Question: 193

[Fraud Risk Management]

According to International Organization for Standardization (ISO) 31000:2018, an effective and efficient risk management program contains all of the following principles EXCEPT:

- A. The program takes human and cultural factors into account.
- B. The program is static and consistent, even during times of organizational change.
- C. The program facilitates continuous improvement.
- D. The program is customized and proportionate to the organization's operations and objectives.

**Answer: B**

### Question: 194

[Corporate Governance]

Which of the following is included in the G20/OECD Principles of Corporate Governance?

- A. Support for the equal treatment of all members of an organization's governing body.

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- B. A requirement for a corporate governance framework that protects the exercise of management's rights.
  - C. An emphasis on the importance of timely, accurate, and transparent disclosure mechanisms.
  - D. A request that governments implement effective internal controls to support good corporate governance practices.

**Answer: D**

### **Question: 195**

[Ethical Responsibilities of the Fraud Examiner]

Charles, the chief executive officer (CEO) of the Baking & Things Corporation, hired Daniela, a Certified Fraud Examiner (CFE), to investigate an embezzlement case. During the investigation, Daniela learns that Charles is involved in an unrelated fraud. What action should Daniela take based on the ACFE Code of Professional Ethics?

- A. Daniela should immediately resign from the engagement.
- B. Daniela should report Charles to law enforcement.
- C. Daniela should contact the media to report what she found.
- D. Daniela should tell the company's board of directors about Charles.

**Answer: D**

### **Question: 196**

[Fraud Deterrence]

Armando has been tasked with developing policies to help prevent crime by using the threat of criminal sanctions to control the immediate behavior of individuals. Which of the following strategies to control crime is Armando using?

- A. Deterrence
- B. Enforcement
- C. Prevention
- D. Compliance

**Answer: A**

### **Question: 197**

[Fraud Prevention]

Which of the following statements is MOST ACCURATE regarding an effective system of anti-fraud controls?

- A. It prioritizes implementing detective controls over preventive controls.
  - B. It deters fraudsters by increasing the perception that fraud will be detected.
  - C. It fully eliminates the risk of fraud by removing opportunities for misbehavior.
  - D. It focuses more on preventive controls than detective controls.
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**Answer: B**

**Question: 198**

[Fraud Risk Management]

Warren wants to decrease the amount of cash register discrepancies among the cashiers at his small business. According to behaviorist theories, which of the following options would be the MOST EFFECTIVE way for Warren to encourage the cashiers to reduce their discrepancies and keep their cash drawers balanced?

- A. Demote employees who continue to have reconciliation discrepancies.
- B. Publicly praise employees every time their cash drawers are balanced.
- C. Deduct an hour's worth of pay for anyone whose cash drawer is not perfectly reconciled each day.
- D. Take away an hour of paid time off from an employee each time their cash drawer is not balanced.

**Answer: B**

**Question: 199**

[Fraud Deterrence]

Which of the following is TRUE regarding International Standard on Auditing (ISA) 240?

- A. ISA 240 requires auditors to effectively educate the staff about the risk of fraud within the audited organization.
- B. ISA 240 establishes auditors as being primarily responsible for implementing anti-fraud internal controls within an organization.
- C. ISA 240 provides guidance regarding the auditor's responsibility to consider fraud in an audit of financial statements.
- D. ISA 240 creates requirements for the board of directors regarding the establishment of a holistic fraud risk management program.

**Answer: C**

**Question: 200**

[Ethical Responsibilities of the Fraud Examiner]

ArtisanWare, Inc. is a retailer of high-end kitchen supplies. The company receives a very large order from EFG Company, a new customer in a different country that wants to pay on credit. Which of the following is MOST ACCURATE regarding the due diligence procedures that ArtisanWare should perform on EFG before proceeding with this transaction?

- A. ArtisanWare only needs to undertake due diligence procedures if EFG conducts business in countries with known corruption risks.

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- B. ArtisanWare does not need to take any specific procedures to verify EFG's identity before accepting the transaction.
  - C. ArtisanWare should perform the same level of due diligence as it would for any other customer to avoid claims of discrimination.
  - D. ArtisanWare should examine EFG's net worth as part of deciding whether to allow the purchase on credit.

**Answer: D**

### Question: 201

[Fraud Risk Management]

Based on research regarding the criminogenic tendencies of organizations, employees are more likely to engage in fraudulent behavior when given a direct order to do so by a superior due to an inherent desire to obey people in positions of authority.

- A. True
- B. False

**Answer: A**

### Question: 202

[Fraud Risk Management]

According to Silk and Vogel's research, which of the following is one of the ways that businesses rationalize illegal conduct?

- A. Corporate violations that involve large sums of money are often spread among so many organizations that each gains very little individually.
- B. Violations are caused by innocent errors in judgment rather than economic necessity.
- C. Government regulations are justified because the additional costs of regulations and bureaucratic procedures increase government profits.
- D. Government regulation is unnecessary because the matters being regulated are unimportant.

**Answer: A**

### Question: 203

[Fraud Risk Management]

Harry is an internal auditor with ABC Company. Harry's supervisor, the chief audit executive (CAE), is the fraud risk assessment sponsor and has tasked Harry with drafting an email communication regarding ABC's upcoming fraud risk assessment process.

Which of the following is a best practice that Harry should implement?

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- A. Harry should keep the communication private and only share it with executive management.
  - B. Harry's communication should encourage employees to participate in the assessment process.
  - C. Harry should find a generic template to use as the primary communication to the entire staff.
  - D. Harry's communication should be sent to the entire staff from his own email address.

**Answer: B**

### **Question: 204**

[Fraud Risk Management]

Management at Alpha Company is developing a corporate compliance program. To ensure that the program will be effective, management should both incentivize employees for their compliance and discipline them for any violations.

- A. True
- B. False

**Answer: A**

### **Question: 205**

[Fraud Risk Management]

According to the differential reinforcement theory, behavior is strengthened when which of the following is applied?

- A. Positive reinforcement
- B. Loss of reward
- C. Punishment
- D. Negative stimuli

**Answer: A**

### **Question: 206**

[Fraud Prevention]

Beezie, a Certified Fraud Examiner (CFE), took an introductory class in computer forensics. When a client thought there might be evidence of a crime on their computer, Beezie decided to conduct a forensic examination of the computer even though she had no experience or advanced training in this area

a. Which of the following is TRUE regarding Beezie's conduct?

- A. Beezie's conduct would be a violation of the ACFE Code of Professional Ethics.
  - B. Beezie's conduct would not be a violation of the ACFE Code of Professional Ethics.
  - C. Beezie's conduct would be a violation of the ACFE Code of Professional Ethics only if she also violated the law.
  - D. Beezie's conduct would be a violation of the ACFE Code of Professional Ethics only if she did not find the fraudster.
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**Answer: B**

**Question: 207**

[Fraud Risk Management]

Which of the following statements regarding the objectives of a fraud risk management program is TRUE?

- A. A fraud risk management program should only focus on addressing fraud after it occurs.
- B. A fraud risk management program should incorporate policies and procedures designed to both prevent and detect fraud but should not address fraud responses.
- C. A fraud risk management program should include the formal procedures that management takes in response to a fraud, such as rebuilding stakeholders' confidence in the organization.
- D. A fraud risk management program should prioritize activities that proactively identify and assess fraud risks over activities that detect fraud while it is occurring.

**Answer: C**

**Question: 208**

[Ethical Responsibilities of the Fraud Examiner]

Which of the following scenarios is LEAST LIKELY to be considered a conflict of interest that is prohibited under the ACFE Code of Professional Ethics?

- A. Lori accepts an assignment to infiltrate her employer and transmit inside information to a competitor.
- B. Ren undertakes an external engagement that requires him to work outside the normal work hours of his primary employer.
- C. DeVon undertakes engagements for both sides in a case of an alleged fraudulent warranty scheme.
- D. Karen accepts an assignment to search for fraud indicators at an organization in which she is an undisclosed partner.

**Answer: B**

**Question: 209**

[Fraud Risk Management]

Timothy, a new Certified Fraud Examiner (CFE), has been tasked with his first fraud examination engagement. To exercise appropriate professional skepticism as he conducts the engagement, Timothy should:

- A. Begin the engagement with the belief that no fraud has occurred.
  - B. Maintain a skeptical attitude throughout the entire engagement even if the evidence shows no signs of fraudulent activity.
  - C. Maintain professional skepticism that can only be dispelled by evidence.
  - D. Form the engagement hypothesis without consideration for the nature of the assignment.
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**Answer: B**

**Question: 210**

[Fraud Risk Management]

Ian is drafting a report containing the results of his company's fraud risk assessment process. To be MOST EFFECTIVE, Ian's report should:

- A. Reflect the assessment team's subjective perspective regarding the risks identified.
- B. Contain a detailed, comprehensive list of every assessment finding.
- C. Focus on the findings that will make the most impact on the company's fraud risk management efforts.
- D. Include a complete list of recommended actions for management to take to address all identified risks.

**Answer: C**

**Question: 211**

[Fraud Risk Management]

According to the Fraud Risk Management Guide, a joint publication by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the ACFE, under which principle should an organization communicate the expectations of those overseeing the fraud risk management program?

- A. Fraud risk governance
- B. Fraud control activities
- C. Fraud risk management monitoring activities
- D. Fraud investigation and corrective action

**Answer: A**

**Question: 212**

[Ethical Responsibilities of the Fraud Examiner]

Po, a Certified Fraud Examiner (CFE), was hired to conduct a fraud examination. She did not find fraud, but in Po's opinion, there were several internal control deficiencies that, if not corrected, could facilitate the occurrence of fraud. Under the ACFE Code of Professional Ethics, which of the following is TRUE?

- A. Po may include her opinion on the internal controls in her report to management only if management agrees to compensate her for the addition.
  - B. Po may include her opinion on the internal controls in her report to management because it is a technical matter.
  - C. Po may include her opinion on the internal controls in her report to management only if she amends her contract.
  - D. Po may not include her opinion on the internal controls in her report to management because that is not what she was hired to assess.
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**Answer: B**

**Question: 213**

[Ethical Responsibilities of the Fraud Examiner]

Rosie, a Certified Fraud Examiner (CFE), conducted a fraud examination for her company that led to a confession of guilt from Dean. Which of the following statements in Rosie's verbal report to management would violate the ACFE Code of Professional Ethics?

- A. "The evidence does not support Dean's confession."
- B. "Dean is guilty of embezzlement."
- C. "Dean's confession is supported by the evidence."
- D. "Dean confessed to embezzlement."

**Answer: B**

**Question: 214**

[Fraud Risk Management]

"Crimes of the Middle Classes" finds that all the following factors have contributed to the rising problem of economic crime EXCEPT:

- A. Media sources sending the message that no one has to settle for second best.
- B. Advancement of information technologies increasing the opportunity for misconduct.
- C. The increase in funds available from government assistance programs.
- D. The economy's decreased reliance on credit and a decline in personal debt.

**Answer: D**

**Question: 215**

[Fraud Risk Management]

Baldwin, a Certified Fraud Examiner (CFE), has an ethical dilemma regarding his business contract with his professional partners. Which of the following scenarios demonstrates Baldwin consulting a source of guidance that would be considered the LOWEST level of reference to use for determining the most ethical action to take?

- A. Baldwin asking for guidance from his family and friends.
  - B. Baldwin reviewing the ACFE Code of Professional Ethics.
  - C. Baldwin contemplating philosophical principles related to ethics.
  - D. Baldwin reading the applicable contract law.
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**Answer: A**

**Question: 216**

[Fraud Risk Management]

Cho, an internal auditor, and Pierre, a sales manager, have had several disagreements about the sales tactics used by Pierre's team. Cho has just been told that she will lead the company's fraud risk assessment. During the fraud risk assessment, Cho should:

- A. Automatically designate the sales function as a high-risk area.
- B. Include her disagreements with Pierre as a factor when assessing the risk of fraud in the sales function.
- C. Confront Pierre about the disagreements and discuss how they increase the company's risk of fraud.
- D. Request that someone else perform the fraud risk assessment work that is related to the sales function's activities.

**Answer: D**

**Question: 217**

[Ethical Responsibilities of the Fraud Examiner]

In the context of a fraud examination, integrity requires which of the following?

- A. Prioritization of desires for personal gain over the interests of clients
- B. A well-developed sense of moral philosophy and the ability to distinguish right from wrong
- C. The ability to conceal errors to preserve the reliability of the work performed
- D. Avoidance of differences of opinion on all material matters

**Answer: B**

**Question: 218**

[Fraud Deterrence]

According to professional auditing standards, auditors should do which of the following as part of addressing the assessed risks of material misstatement due to fraud in the financial statements?

- A. Incorporate an element of predictability in the selection of auditing procedures to be performed
- B. Consider the knowledge, skill, and ability levels of the individuals who are assigned significant audit responsibilities
- C. Disregard the entity's selection and application of accounting policies concerning complex transactions
- D. All of the above

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**Answer: A**

**Question: 219**

[Fraud Risk Management]

Which of the following is a best practice when assembling a fraud risk assessment team?

- A. Team members should all have similar skills and perspectives.
- B. The size of the team should be limited to four individuals.
- C. The team should include only external sources.
- D. Team members should have experience in eliciting information.

**Answer: D**

**Question: 220**

[Ethical Responsibilities of the Fraud Examiner]

Terrel, a Certified Fraud Examiner (CFE), unknowingly violates the law one night. Which of the following statements about the ACFE Code of Professional Ethics is TRUE?

- A. This conduct would be a violation of the ACFE Code of Professional Ethics only if Terrel knew the conduct was illegal.
- B. This conduct would be a violation of the ACFE Code of Professional Ethics only if Terrel is arrested.
- C. This conduct would not be a violation of the ACFE Code of Professional Ethics under any circumstances.
- D. This conduct would be a violation of the ACFE Code of Professional Ethics.

**Answer: D**

**Question: 221**

[Fraud Risk Management]

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

- A. Formal sanctions for intentional noncompliance should be kept private and only shared if a party absolutely needs to know.
  - B. All employees at the organization should be responsible for monitoring compliance with the program.
  - C. Punishment for intentional noncompliance should be individualized based on the offender's personal circumstances.
  - D. Systems to monitor and identify breaches in compliance must be included in the fraud risk management program.
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**Answer: D**

**Question: 222**

[Fraud Prevention]

To reinforce an anti-fraud culture, it is BEST for an organization's management to:

- A. Use a checklist of initiatives to ensure that all the elements of a strong corporate culture are in place.
- B. Require senior leaders to follow the same ethics policies that are in place for all staff-level employees.
- C. Discourage employees from questioning their immediate supervisor's actions or decisions if they have concerns.
- D. Discipline any employees who publicly express their frustration regarding organizational policies.

**Answer: B**

**Question: 223**

[Fraud Risk Management]

Which of the following is the MOST EFFECTIVE way for management to respond to incidents of fraud within an organization?

- A. Emphasizing to all employees that the company maintains a policy of zero tolerance for fraud.
- B. Keeping all known incidents of fraud private to protect the identities of parties involved.
- C. Maintaining a policy that allows employees one warning before they are terminated for committing fraud
- D. Punishing frauds only if they have a significant financial impact.

**Answer: A**

**Question: 224**

[Fraud Prevention]

Pieter, a manager at Solox Corp., oversees the fraud training for the organization's employees. He is reviewing the training for the coming year. Which of the following actions should Pieter take to ensure that Solox's employee anti-fraud education program is effective?

- A. Include detailed descriptions of the organization's anti-fraud controls.
  - B. Include common characteristics that lead individuals to commit fraud.
  - C. Restrict training to formal live, in-person sessions required of all full-time, lower-level employees.
  - D. Require the training to only be presented by organizational executives or anti-fraud professionals.
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**Answer: B**

**Question: 225**

[Fraud Deterrence]

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

- A. Evaluating the organization's structures and process for fraud risk governance.
- B. Issuing a report asserting that the organization's financial statements do not contain material misstatements caused by fraud.
- C. Overseeing management's actions to manage fraud risks.
- D. Reporting to regulators regarding the entity's vulnerability to fraud.

**Answer: A**

**Question: 226**

[White-Collar Crime]

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), internal control is defined as:

- A. A process aimed at proactively identifying, assessing, and managing an organization's vulnerabilities to fraud by both internal and external sources.
- B. The system enacted to ensure effective oversight of the board of directors, management, and all other parties responsible for an organization's direction, operations, and performance.
- C. The system that is designed and implemented to eliminate all uncertainty and risk while also ensuring the achievement of organizational goals.
- D. 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.

**Answer: C**

**Question: 227**

[Ethical Responsibilities of the Fraud Examiner]

Which of the following scenarios would MOST LIKELY be considered a violation of the ACFE Code of Professional Ethics?

- A. Riva, a CFE, uncovered material internal control deficiencies that were material but unrelated to the kickback scheme she was investigating. In her final report to management, Riva included information about the deficiencies despite their being unrelated to the situation she was hired to investigate.
  - B. Dee, a CFE, accepted an assignment to conduct a fraud examination within a manufacturing company. Because she rushed to complete the investigation, she overlooked key items of evidence and failed to uncover a fraud scheme.
  - C. Derrick, a CFE, was hired by a client to conduct a fraud examination but found nothing abnormal. A year later, he received a court order to provide the client's file to the court. Derrick complied with the court order despite not having the client's
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authorization to provide the file.

D. All of the above are violations.

**Answer: B**

### **Question: 228**

[Fraud Deterrence]

Adan, an internal auditor who works at BKY Co., is reviewing the auditing procedures for his company. He is specifically considering the ways BKY can proactively audit for fraud. Which of the following is TRUE regarding the use of proactive fraud auditing procedures at BKY?

- A. Analytical review of BKY's financial statements is the best way to uncover small frauds that might be missed by other detection methods.
- B. Fraud audit procedures should be designed to avoid an element of surprise.
- C. Auditors should avoid asking questions such as, "Has anyone ever asked you to do something unethical?" as part of their audits, as this can limit employees' willingness to communicate.
- D. Fraud assessment questioning techniques are most effectively used as part of the normal audit process.

**Answer: D**

### **Question: 229**

[Fraud Prevention]

Which of the following is a TRUE statement regarding the role of a well-designed organizational structure within an anti-fraud program?

- A. Flowcharts displaying departmental structures can be a helpful tool in communicating the proper flow of information as part of fraud prevention efforts.
- B. Communicating the proper flow of information to everyone in the organization can increase the organization's vulnerability to fraud.
- C. It is best to avoid formally documenting organizational structures to limit fraudsters' ability to circumvent oversight controls.
- D. A confused organizational structure makes it harder for a fraudster to perpetrate and conceal their misdeeds.

**Answer: A**

### **Question: 230**

[Fraud Risk Management]

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

- A. When verifying past employment, management should only ask previous employers to verify the candidate's previous position and dates of employment.
- B. If a background check was conducted on an employee at the time of hire, then there is no need for management to conduct additional background checks on that employee during their employment.
- C. As part of the screening process, management should contact the personal and professional references provided by the job candidate only if they are unsure whether the candidate is being honest.
- D. Management should perform a background check on any candidate who will have access to cash, checks, credit card numbers, or other items that are easily stolen.

**Answer: D**

### **Question: 231**

[Fraud Risk Management]

During a fraud risk assessment, a focus group would be MOST HELPFUL in which of the following situations?

- A. The assessment team would like to provide a means for anonymous employee suggestions or responses to questions posed.
- B. The assessment team would like to observe the interactions of several employees discussing the organization's current fraud awareness training.
- C. The assessment team would like to obtain individuals' responses through a formal electronic questionnaire.
- D. The assessment team would like to get candid one-on-one feedback from employees in a private setting.

**Answer: D**

### **Question: 232**

[Corporate Governance]

Which of the following is LEAST LIKELY to be a factor that directors and management should consider when developing a corporate governance framework for an organization?

- A. The organization's cultural environment
  - B. The organization's legal and regulatory environment
  - C. The organization's physical operating environment
  - D. The organization's ethical environment
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**Answer: C**

**Question: 233**

[Ethical Responsibilities of the Fraud Examiner]

Rhys, a Certified Fraud Examiner (CFE), was hired to conduct a fraud examination at Marvel Company. His examination did not reveal any conclusive evidence that fraud had occurred or was occurring. Consequently, Marvel's management asked Rhys to state in his 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. Which of the following is TRUE regarding the ACFE Code of Professional Ethics in this situation?

- A. The ACFE Code of Professional Ethics allows Rhys to comply with management's request without limitations.
- B. The ACFE Code of Professional Ethics allows Rhys to comply with management's request only if he can find another CFE to co-sign his report.
- C. The ACFE Code of Professional Ethics allows Rhys to comply with management's request only if the company has liability insurance to cover an incorrect assertion.
- D. The ACFE Code of Professional Ethics absolutely prohibits Rhys from complying with management's request.

**Answer: D**

**Question: 234**

[Fraud Risk Management]

Management at ABC Company wants to transfer one of the risks identified during the company's fraud risk assessment process. Which of the following actions would be MOST APPROPRIATE to support this response?

- A. Implementing additional preventive and detective controls
- B. Discontinuing the underlying activity completely
- C. Deciding not to implement any responsive measures
- D. Purchasing fidelity insurance to protect against the associated risk of loss

**Answer: D**

**Question: 235**

[Fraud Risk Management]

Sycamore Inc. has a simple organizational structure with few specialized departments. The structure of Sycamore Inc. increases the likelihood that fraud will go undetected within the organization.

- A. True
  - B. False
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**Answer: A**

**Question: 236**

[White-Collar Crime]

According to ACFE research, which of the following is the MOST COMMON method for detecting occupational fraud?

- A. Internal audit
- B. Document examination
- C. Management review
- D. Tips

**Answer: D**

**Question: 237**

[Fraud Deterrence]

During an external audit of an organization's financial statements, Saskia, the external auditor, uncovers significant internal control deficiencies at the organization. She believes these deficiencies could result in a material misstatement of the financial statements.

Which of the following should Saskia do regarding these findings?

- A. Saskia should communicate the deficiencies in writing to those charged with governance.
- B. Saskia should suspend the current audit engagement and begin a new audit focused on the internal control deficiencies.
- C. Saskia should provide a written communication about her findings to the relevant regulatory agencies.
- D. Saskia should withdraw from the audit engagement immediately and issue a disclaimer on any prior work performed.

**Answer: A**

**Question: 238**

[Criminology and Ethics]

Which of the following statements is TRUE according to rational choice theory?

- A. Crime originates from a rational and conscious decision made by the perpetrator in order to receive an intended benefit.
  - B. Crime originates from the application of excessive pressure and influence on the perpetrator by external sources.
  - C. Crime can be deterred by increasing the potential for financial gain for the perpetrator.
  - D. Crime can be deterred by decreasing the personal risk to potential perpetrators.
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**Answer: A**

**Question: 239**

[Corporate Governance]

Which of the following is TRUE regarding the G20/OECD Principles of Corporate Governance?

- A. They assert that a corporate governance framework should ensure the equitable treatment of all the organization's shareholders.
- B. They are intended to be applicable in developed economies but not in emerging markets.
- C. They are required to be implemented by all corporations in the jurisdictions that have officially adopted them.
- D. They state that a corporate governance framework should require disclosure of all financial information to the organization's investors.

**Answer: A**

**Question: 240**

[Ethical Responsibilities of the Fraud Examiner]

In the context of a fraud examination, integrity requires which of the following:

- A. Avoidance of differences of opinion on all material matters
- B. Independence of mental attitude and avoidance of conflicts of interest
- C. Prioritization of desires for personal gain over the interests of clients
- D. Ability to conceal errors to preserve the reliability of the work performed

**Answer: B**

**Question: 241**

[White-Collar Crime]

Which of the following components of the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Enterprise Risk Management—Integrating with Strategy and Performance refers to an organization's ability to continually assess how well its enterprise risk management (ERM) capabilities and practices have increased value over time and how they will continue to drive value for the organization?

- A. Risk tolerance
  - B. Governance and culture
  - C. Strategy and objective-setting
  - D. Review and revision
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**Answer: D**

**Question: 242**

[Fraud Risk Management]

According to International Organization for Standardization (ISO) 31000:2018, an effective and efficient risk management program contains all of the following principles EXCEPT:

- A. The program is structured and comprehensive.
- B. The program is based upon the best available information.
- C. The program is integrated into only high-risk organizational activities.
- D. The program is customized and proportionate to the organization's operations and objectives.

**Answer: C**

**Question: 243**

[Fraud Prevention]

A professional organization's code of conduct serves which of the following purposes?

- A. A code offers fewer and less direct solutions to professional ethical dilemmas than might exist under general ethical principles.
- B. A code acts as a substitute for legal and regulatory requirements that apply to the profession.
- C. A code provides answers to all ethical dilemmas that the organization's members might encounter.
- D. A code facilitates practical enforcement and internal discipline throughout a profession.

**Answer: D**

**Question: 244**

[Fraud Deterrence]

Aaron, a government auditor, is conducting a financial statement audit of a public-sector entity in accordance with the International Standards of Supreme Audit Institutions. Which of the following is TRUE regarding Aaron's consideration of fraud during this engagement?

- A. Aaron's audit objectives are likely narrower than those of a private-sector financial statement audit.
  - B. Aaron should remain alert for fraud but does not need to consider the potential for abuse or other misconduct during the audit engagement.
  - C. Aaron likely does not have the ability to withdraw from the engagement, even if fraud is identified during the audit.
  - D. Aaron does not need to comply with the requirements found in International Standard on Auditing 240, as they do not apply to the engagement.
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**Answer: C**

**Question: 245**

[Fraud Risk Management]

According to ACFE research, which of the following is TRUE?

- A. Frauds committed by staff-level employees cause higher median losses than those committed by owners and executives.
- B. Men and women commit similar amounts of occupational frauds.
- C. Complaints about family problems is the most reported behavioral red flag displayed by fraud perpetrators.
- D. Most employees who commit occupational fraud are first-time offenders.

**Answer: D**

**Question: 246**

[Fraud Risk Management]

Which of the following is NOT one of the three elements that have the most influence on crime according to the routine activities theory?

- A. The presence of motivated offenders
- B. The absence of capable guardians
- C. The lack of societal ethics
- D. The availability of suitable targets

**Answer: C**

**Question: 247**

[Fraud Prevention]

Which of the following choices is an example of an anti-fraud control that is primarily preventive in nature?

- A. Continuous audit techniques
  - B. Proactive data analysis techniques
  - C. Employee background checks
  - D. Whistleblower hotline
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**Answer: C**

**Question: 248**

[White-Collar Crime]

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines internal control as:

- A. A process implemented to review how well the organization's risk management capabilities have increased value over time and how they will continue to drive value for the organization
- B. 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
- C. A process involving personnel at all levels of the organization that aims to eliminate all uncertainty and risk while also ensuring the achievement of organizational goals
- D. A process aimed at proactively identifying, evaluating, and addressing an organization's vulnerabilities to fraud by both internal and external sources

**Answer: B**

**Question: 249**

[Fraud Prevention]

Which of the following is a TRUE statement regarding the role of a well-designed organizational structure as part of an anti-fraud program?

- A. A confused organizational structure makes it harder for a fraudster to perpetrate and conceal their misdeeds.
- B. Effectively documenting and communicating the organizational structure to all employees can help prevent fraud.
- C. Formally establishing and communicating the proper flow of information in an organization can hinder its fraud prevention initiatives.
- D. Displaying organizational and departmental hierarchies can help fraudsters select their targets.

**Answer: B**

**Question: 250**

[Fraud Risk Management]

Fraud risks related to corruption include:

- A. Reporting revenue in the wrong accounting period
  - B. Fraudulent customer payments
  - C. Espionage by competitors
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D. Payment of bribes to procure business

**Answer: D**

**Question: 251**

[Fraud Prevention]

To reinforce an anti-fraud culture, it is BEST for an organization's management to:

- A. Use a checklist of initiatives to ensure that all the elements of a strong corporate culture are in place.
- B. Demonstrate the same ethical behavior required of individuals at lower levels of the company.
- C. Discipline any employees who question their direct supervisor's behavior or policies.
- D. Discourage employees from voicing concerns regarding senior leadership's actions or decisions.

**Answer: B**

**Question: 252**

[Fraud Prevention]

Which of the following statements regarding monitoring employees for warning signs of fraud is MOST ACCURATE?

- A. Employees should be made aware that management is watching for unexplained lifestyle and behavioral changes that might indicate fraudulent conduct.
- B. An increase in employee wealth is always a sign of fraud that should be investigated.
- C. Employees who steal do not commonly display lifestyle or behavioral warning signs of their misdeeds.
- D. Managers should be instructed that it is a violation of employee privacy rights to monitor employees for behaviors that are indicative of fraud.

**Answer: A**

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