ACFE CFE-Fraud-Investigations-and-Legal-Issues Practice Questions

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Question 1

Question Type: MultipleChoice

Abram, a fraud examiner, is attempting to determine the disposition of funds and assets that were acquired illicitly by Niko, a procurement employee of TLM Corp., who allegedly conducted a bribery scheme with company vendors. Which of the following statements regarding why Abram should obtain Niko's credit card records and statements is MOST ACCURATE?

Options:

A- Abram should obtain Niko's credit card statements because they likely contain information about Niko's credit history.
B- Abram should obtain Niko's credit card records because they can reveal Niko's spending patterns and habits.
C- Abram should obtain Niko's credit card records because they will show detailed information about suspicious deposits.
D- Abram should obtain Niko's credit card statements because they will show whether Niko used illicit funds to pay the credit card bills.

Answer:

B

Explanation:

Credit card records are useful in tracing illicit transactions because they reveal how and where a subject spends money. The Fraud Examiners Manual explains that credit card receipts can track travel and expenditures, and charges may provide leads to hidden assets. For example, purchases at a marina might suggest boat ownership and justify further investigation. Option A is incorrect because credit card statements are not obtained primarily to review credit history. Option C is wrong because suspicious deposits are usually identified through bank records, not credit card statements. Option D overstates what credit card statements prove; they might show payments toward the card, but not automatically establish that illicit funds were used. Option B accurately captures the investigative value of these records.

Question 2

Question Type: MultipleChoice

Which of the following scenarios describes a situation that would MOST LIKELY cause an item's

authenticity to be questioned when being admitted as evidence?

Options:

A- A physical ledger gathered during an internal investigation is stored in a secure room with restricted and monitored access.
B- An electronic device seized during an investigation is placed in a storage area only accessible to company employees.
C- An image acquired during an investigation is stored on an organization's private server with access logs and password protections.
D- A confession is recorded in a signed memorandum and placed in a secure facility until being passed to the attorney handling the litigation.

Answer:

B

Explanation:

The electronic device in option B is most likely to have its authenticity questioned because the storage area is only described as accessible to company employees generally, not restricted to authorized custodians or monitored through a clear chain of custody. Authenticity requires showing that evidence is what it purports to be and that it has not been materially altered. The ACFE materials explain that chain of custody documents who possessed the evidence, how it was stored, what was done with it, and how it left each custodian's control. Options A, C, and D describe stronger safeguards, such as restricted access, monitoring, access logs, password protection, secure storage, or formal transfer. Option B creates a greater risk that unauthorized access or alteration could be alleged.

Question 3

Question Type: MultipleChoice

Which of the following statements about civil actions in most jurisdictions is correct?

Options:

A- The plaintiff's complaint must typically contain a copy of all documents that might be relevant to the case.
B- Civil actions begin with the filing of a pleading, usually in the jurisdiction where the defendant resides or where the claim originated.

C- The plaintiff's complaint does not need to state the grounds for legal relief.
D- All of the above are correct.

Answer:

B

Explanation:

The correct answer is B. The CFE Manual states that a civil action generally begins when the plaintiff files a pleading with the appropriate court, usually in the jurisdiction where the defendant resides or where the claim arose. The pleading sets out the complaint and the remedy sought by the plaintiff.

Option A is incorrect because the plaintiff's complaint does not typically need to include all documents that might be relevant to the case. The Manual explains that pleading requirements vary by jurisdiction, and while some jurisdictions may require certain documents, witness lists, or key items of expected evidence, that is not the general rule for all potentially relevant documents. Option C is also incorrect because the Manual specifically notes that pleadings in most jurisdictions generally must identify the grounds for legal relief. Since both A and C are wrong, D cannot be correct. For CFE purposes, the best statement is that civil litigation starts with the filing of a pleading in the appropriate jurisdiction, making B the most accurate choice.

Question 4

Question Type: MultipleChoice

Which option best is the MOST ACCURATE statement about trying to locate a subject using online records?

Options:

A- Most public records services do not maintain a list of past addresses
B- Obtaining a past address of the subject should be the first step in trying to locate a subject using online records
C- The first step in locating someone using online records is to obtain a list of past employers
D- Online records are generally not useful in locating subjects whose address is unknown

Answer:

B

Explanation:

''To locate people using online records... First, when searching for an individual, the fraud examiner should obtain a past address of the subject, and search activities should begin with that information''.

This aligns with the Prep guide: ''Obtaining a past address of the subject should be the first step in trying to locate a subject using online records''.

Thus, B is correct.

P2P exams

Question 5

Question Type: MultipleChoice

At the end of a civil proceeding, the court finds the defendant, a company, liable and orders it to pay a large sum of money to compensate for the plaintiffs losses. Which of the following BEST describes this type of remedy?

Options:

A- Declaratory relief
B- Carnages
C- Equitable relief
D- Injunction

Answer:

B

P2P exams

Explanation:

This question tests your knowledge of Domain 1.

In the context of Overview of the Legal System, specifically relating to civil, the question asks about BEST.

The correct answer is B: Carnages.

This question relates to the legal system framework. Understanding the distinction between different legal systems and processes is crucial for fraud examiners. The correct answer accurately describes the relationship between different legal entities and their jurisdictions.

- CFE Exam Content Outline: Domain 1: Overview of the Legal System

- civil

- Fraud Examiners Manual, Law Section

Question 6

Question Type: MultipleChoice

Jay files for bankruptcy in order to settle all of his debts. During the bankruptcy proceeding, the court sells off his property and uses the proceeds to pay Jay's creditors, thereby discharging all of Jay's dischargeable debts. This type of bankruptcy proceeding can BEST be described as:

Options:

A- Debt adjustment bankruptcy
B- Liquidation bankruptcy
C- Reorganization bankruptcy
D- Debt dismissal bankruptcy

Answer:

B

Explanation:

This question tests your knowledge of Domain 3.

In the context of Bankruptcy Fraud, specifically relating to bankruptcy, the question asks about BEST.

The correct answer is B: Liquidation bankruptcy.

This question focuses on bankruptcy fraud concepts. The correct answer correctly identifies the relevant bankruptcy process, filing type, or fraud scheme. Understanding bankruptcy proceedings and the roles of various parties is essential for fraud examiners investigating these cases.

- CFE Exam Content Outline: Domain 3: Bankruptcy Fraud

- bankruptcy

- Fraud Examiners Manual, Law Section

Question 7

Question Type: MultipleChoice

Which of the following is a common characteristic that asset hiders look for in the financial vehicles they use to conceal their assets?

Options:

A- Accessibility
B- Transparency
C- Exclusivity
D- Traceability

Answer:

A

Explanation:

The 2014 International Fraud Examiners Manual states:

''Asset hiders look for certain characteristics in the financial vehicles they use to conceal assets. Asset hiders want products that are liquid (i.e., items that can be purchased and sold in a short period of time). Moreover, asset hiders want products that are difficult to trace or untraceable. With such instruments, asset hiders can break or muddy links between the initial receipt of the assets and their final disposition. Asset hiders also look for products that are secure and accessible.''

The CFE Prep - Investigations guide confirms:

''Asset hiders want products that are liquid, difficult to trace, secure, and accessible... NOT transparent.''

Interpretation:

Accessibility = common desirable trait (correct).

Transparency = opposite of concealment (not desirable).

Exclusivity = not a standard consideration.

Traceability = asset hiders want the opposite (difficult to trace).

Question 8

Question Type: MultipleChoice

Andrew wants to use a confidential informant in his investigation. He plans to compensate the informant with cash and obtain a receipt. He also plans to identify his source in a memorandum and his final report using only the informant's initials. Which of Andrew's plans is NOT considered a best practice when using an informant?

Options:

A- Referring to the informant in the memorandum using the informant's initials
B- Using information from the informant in his final report
C- Creating a receipt regarding the cash payment
D- Compensating the informant with cash

Answer:

A

Explanation:

Referring to the informant in the memorandum using the informant's initials

Best practice requires that informants be identified only by symbols (e.g., I-1, I-2), not by initials, to protect their identity. Cash payments are acceptable but must be accompanied by a receipt.

Question 9

Question Type: MultipleChoice

Baker, a Certified Fraud Examiner (CFE). is getting prepared to conduct a lengthy and complex interview. To prepare himself. Baker should:

Options:

A- Writs down a detailed list of questions in advance
B- Avoid bringing any notes with him to the interview
C- Write down key points to go over with the respondent
D- Take only the documents he wishes to go over

Answer:

C

Explanation:

When preparing for interviews, fraud examiners should avoid scripting detailed questions. Instead, they prepare notes of key points to cover.

From the Fraud Examiners Manual:

''Whenever possible, do not prepare a list of predetermined questions to ask the subject. The interview should flow freely. The interviewer might, however, want to develop a list of key points to cover during the interview''.

Therefore, the best preparation method is to note key points instead of detailed questions.

Question 10

Question Type: MultipleChoice

Thea is conducting a fraud examination for a company and suspects one of the company's vendors (a one-person operation) of fraudulent billing. Thea wants to obtain a copy of the suspect individual's credit report and personal data from a third-party information broker. If Thea works in a jurisdiction that regulates the distribution of personal credit information, she cannot obtain the suspect's personal credit data under any circumstances.

Options:

A- True
B- False

Answer:

B

Explanation:

Credit reports can sometimes be obtained legally if proper consent or a recognized legal basis (such as employment background checks, extension of credit, or legal proceedings) exists. The Manual notes:

''Access to personal credit data may be permitted when the individual has given consent or when required for employment, credit, or legal reasons''.

Thus, it is not true that credit data can never be obtained---circumstances exist where it can be done lawfully.

P2P exams

Question 11

Question Type: MultipleChoice

Naveed, a fraud suspect, has decided to confess to Omar, a Certified Fraud Examiner (CFE). In obtaining a verbal confession from Naveed. Omar should obtain all of the following items of information EXCEPT:

Options:

A- A general estimate of the amount of money involved
B- The approximate number of instances
C- The location of any residual assets
D- A statement from Naveed that his conduct was an accident

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Answer:

D

Explanation:

When obtaining a verbal confession, the fraud examiner should secure details such as: admission of wrongdoing, number of instances, amount involved, dates, involvement of others, residual assets, and motive. However, it does not matter whether the suspect claims the conduct was an accident; that is not necessary to record.

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