ACFE CFE-Fraud-Prevention-and-Deterrence Practice Questions

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Question 1

Question Type: MultipleChoice

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

Options:

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

Explanation:

Fraud Reporting Program Best Practices:

Ensuring anonymity encourages employees to report fraud without fear of retaliation. This enhances the effectiveness of the reporting program.

Why D is Correct:

Communicating confidentiality builds trust and increases participation in the fraud reporting program.

Why Other Options are Incorrect:

A: Fraud risks are not limited to organization size.

B: Restricting reports to immediate supervisors may create barriers.

C: Holding employees accountable for unsubstantiated tips discourages reporting.

ACFE's recommendations for successful fraud reporting systems emphasize confidentiality and employee trust.

Reference for All Questions:

ACFE Fraud Examination Guide.

COSO framework and ISA auditing standards.

Industry best practices for fraud prevention, governance, and due diligence.

Question 2

Question Type: MultipleChoice

[Fraud Prevention]

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

Options:

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 3

Question Type: MultipleChoice

[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:

Options:

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 4

Question Type: MultipleChoice

[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?

Options:

A- Positive reinforcement
B- Negative reinforcement
C- Punishment
D- 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.

Answer:

C

Question 5

Question Type: MultipleChoice

[Fraud Prevention]

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

Options:

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 6

Question Type: MultipleChoice

[Corporate Governance]

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

Options:

A- Support for the equal treatment of all members of an organization's governing body.
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 7

Question Type: MultipleChoice

[Ethical Responsibilities of the Fraud Examiner]

In the context of a fraud examination, integrity requires Which option best?

Options:

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 8

Question Type: MultipleChoice

[Criminology and Ethics]

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

Options:

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 9

Question Type: MultipleChoice

[Fraud Risk Management]

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

Options:

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

Answer:

D

Question 10

Question Type: MultipleChoice

[Ethical Responsibilities of the Fraud Examiner]

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

Options:

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 11

Question Type: MultipleChoice

[Fraud Risk Management]

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

Options:

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 12

Question Type: MultipleChoice

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:

Options:

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.

Answer:

B

Question 13

Question Type: MultipleChoice

Jacques, an internal auditor, and Brenna, the company's travel and expense manager, have had several disagreements about employee expense limits and policies. Jacques has just been told that he will lead the company's fraud risk assessment. During the fraud risk assessment, Jacques should:

Options:

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

Answer:

C

Explanation:

The Fraud Risk Assessment chapter stresses that the people leading and conducting the assessment must be independent and objective. The manual specifically warns that personal experiences or biases can affect the evaluation of fraud risk in a business area. It gives an example that if someone on the team had a bad experience with a person in a department, that experience might improperly influence the assessment, and in that situation someone else should perform the work related to that department. This guidance directly applies here. Because Jacques has had repeated disagreements with Brenna, his objectivity regarding the travel and expense function could reasonably be questioned. To preserve the integrity and neutrality of the fraud risk assessment, he should request that someone else handle that area.

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