



AGA CGFM Mock Exam

Shared by Bruce on 17-06-2026

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Question 1

Question Type: MultipleChoice

Federal entities primarily assess internal controls to

Options:

- A- confirm that all management objectives will be met.
- B- identify program areas where efficiencies may be gained.
- C- ensure there is no fraud, waste or abuse within the entity.
- D- determine what legislation is not applicable to the entity.

Answer:

B

Explanation:

Federal Entities and Internal Controls:

Federal entities assess internal controls to ensure efficient, effective, and economical use of resources while achieving program objectives.

Internal control assessments often identify areas for improvement, such as reducing waste or increasing operational efficiency.

Explanation of Answer Choices:

- A . Confirm that all management objectives will be met: Internal controls reduce risk but do not guarantee all objectives will be achieved.
- B . Identify program areas where efficiencies may be gained: Correct. Internal controls are assessed to optimize operations and identify improvements.
- C . Ensure there is no fraud, waste, or abuse within the entity: While controls mitigate risks of fraud, waste, or abuse, assessments aim to identify opportunities for efficiency.
- D . Determine what legislation is not applicable to the entity: This is unrelated to internal control assessments.

GAO, Standards for Internal Control in the Federal Government (Green Book).

Office of Management and Budget (OMB), Circular A-123, Internal Control Systems.

Question 2

Question Type: MultipleChoice

What is the most fundamental cash control?

Options:

- A- segregation of duties
- B- use of automated systems
- C- analysis of cash reports
- D- frequent reconciliation of bank accounts



Answer:

D

Explanation:

Cash Control Fundamentals:

The primary goal of cash controls is to safeguard assets and prevent fraud, errors, or misappropriation.

Frequent bank reconciliations ensure that recorded cash balances match actual bank balances, detecting discrepancies quickly.

Explanation of Answer Choices:

A . Segregation of duties: While critical for cash management, it is not the most fundamental cash control.

B . Use of automated systems: Helpful for efficiency but not a fundamental control.

C . Analysis of cash reports: Important, but reconciling bank accounts is more critical for detecting errors or fraud.

D . Frequent reconciliation of bank accounts: Correct. This is the most fundamental and widely recognized control for safeguarding cash.

Association of Government Accountants (AGA), Cash Management Best Practices.

Government Finance Officers Association (GFOA), Bank Reconciliation Best Practices.

Question 3

Question Type: MultipleChoice

Management's need for real-time access to data is facilitated when

Options:

- A- data is represented visually and includes information that indirectly relates to the subject matter.
- B- data supporting dashboards are updated every quarter.
- C- the prior year's financial statement data underlies the management reports used to decide on future expenditures.
- D- complex data sets are available on demand, presented with minimal distractions.

Answer:

D

Explanation:

* Why Does Management Need Real-Time Data Access?

Real-time access to data enables managers to make timely and informed decisions.

Complex data sets presented clearly and concisely (with minimal distractions) allow decision-makers to focus on the critical insights necessary for strategic and operational planning.

* Why Is Option D Correct?

On-demand access ensures managers can retrieve updated data whenever needed. Presenting the data in a focused and distraction-free format facilitates quick comprehension and decision-making.

* Why Other Options Are Incorrect:

A . Visual representation with indirect information: Including unrelated data can overwhelm users and detract from effective decision-making.

B . Dashboards updated quarterly: Quarterly updates do not meet the need for real-time access.

C . Prior year's financial data: Decisions based solely on historical data are not responsive to real-time needs.

* Reference and Documents:

GAO Data Analytics and Visualization Framework: Stresses the importance of real-time, actionable, and distraction-free data for decision-making.

AICPA Dashboard Guidelines: Recommends presenting complex data sets in a clear and accessible format for management use.

Question 4

Question Type: MultipleChoice

Who holds primary responsibility for establishing internal controls?

Options:

- A- accountants
- B- internal auditors
- C- management
- D- audit committee

Answer:

C

Explanation:

Responsibility for Internal Controls:

Management holds the primary responsibility for establishing, implementing, and maintaining an organization's internal control system.

This responsibility is outlined in frameworks such as COSO's Internal Control - Integrated Framework and the GAO's Green Book.

Roles of Other Parties:

- A . Accountants: While accountants may assist in designing or assessing controls, they are not primarily responsible.
- B . Internal auditors: Their role is to evaluate the effectiveness of controls, not establish them.
- D . Audit committee: Provides oversight but does not implement or design controls.

COSO, Internal Control - Integrated Framework.

GAO, Standards for Internal Control in the Federal Government (Green Book).

Question 5

Question Type: MultipleChoice

A variable that would influence management's decision to hire contractors to perform management control

evaluations is



Options:

- A- lack of management expertise.
- B- availability of qualified contractors.
- C- suspicion of internal fraud.
- D- knowledge of systemic deficiencies.

Answer:

A

Explanation:

* Why Hire Contractors for Management Control Evaluations?

Management may decide to bring in external contractors when there are gaps in the organization's capacity to perform evaluations internally. One key factor is the lack of management expertise---if management lacks the necessary knowledge or experience to evaluate controls effectively, it may outsource this task to qualified contractors.

* Why Other Options Are Incorrect:

B . Availability of Qualified Contractors: While availability is a factor, it's not a variable that influences the decision to outsource. Instead, it's a logistical consideration once the decision has been made.

C . Suspicion of Internal Fraud: Suspicion of fraud may lead to investigations, but hiring contractors to evaluate controls is driven by expertise gaps rather than fraud concerns.

D . Knowledge of Systemic Deficiencies: If management already has knowledge of systemic deficiencies, they may focus on remediation rather than outsourcing evaluations.

* Reference and Documents:

GAO Standards for Internal Control in the Federal Government (Green Book): Emphasizes the need for knowledgeable personnel to evaluate controls.

GAGAS (Yellow Book): Highlights the role of external expertise in cases where internal expertise is insufficient.

Question 6

Question Type: MultipleChoice

A state transfers cash to a broker and the broker transfers securities to the state, promising to repay the cash plus

interest in exchange for the return of the same securities. This transaction is an example of

Options:

A- an arbitrage agreement.

B- a repurchase agreement.

C- a mutual buy-sell agreement.

D- a reverse repurchase agreement.

U- S. Department of the Treasury, Guide to Federal Investments.

Financial Accounting Standards Board (FASB), Accounting for Repurchase Agreements.

Answer:

B

Explanation:

Definition of a Repurchase Agreement (Repo):

A repurchase agreement is a short-term financial transaction where one party sells securities to another with an agreement to repurchase them at a later date for a specified price, which includes interest. It functions as a secured loan.

Transaction Description:

The state transfers cash to a broker.

The broker provides securities as collateral and agrees to repay the cash plus interest in

exchange for the return of the same securities.

This arrangement matches the definition of a repurchase agreement.

Explanation of Answer Choices:

A . Arbitrage agreement: Arbitrage involves exploiting price differences in markets, unrelated to this transaction.

B . Repurchase agreement: Correct, as it fits the definition.

C . Mutual buy-sell agreement: This involves agreements to buy and sell assets, unrelated to this financial transaction.

D . Reverse repurchase agreement: Incorrect, as the state would be the borrower, not the lender, in a reverse repo.



Question 7

Question Type: MultipleChoice

The first step in assessing an agency's internal control program's compliance with applicable laws and regulations is

to

Options:

- A- review legal actions against the agency for noncompliance with laws and regulations.
- B- contact the legislature to secure its views on any areas of regulatory noncompliance.
- C- develop an inventory of the applicable laws and regulations.
- D- request a compliance review from the agency's chief legal officer.

Answer:

C

Explanation:

First Step in Assessing Compliance:

The first step in evaluating compliance is to develop a comprehensive inventory of all applicable laws and regulations that the agency must follow.

This ensures the assessment process is thorough and based on a clear understanding of the regulatory environment.

Explanation of Answer Choices:

A . Review legal actions against the agency for noncompliance with laws and regulations: Important, but this comes later as part of identifying past compliance issues.

B . Contact the legislature to secure its views on any areas of regulatory noncompliance: Unnecessary for the initial step of compliance assessment.

C . Develop an inventory of the applicable laws and regulations: Correct. This is the foundational step to ensure all relevant requirements are included in the assessment.

D . Request a compliance review from the agency's chief legal officer: Incorrect. While legal advice may be helpful, it is not the starting point for compliance assessment.

GAO, Standards for Internal Control in the Federal Government (Green Book).

OMB Circular A-123, Management's Responsibility for Internal Control.

Question 8

Question Type: MultipleChoice

Business process re-engineering typically addresses all of the following EXCEPT the

Options:

- A- key processes.
- B- human environment.
- C- organizational mission.
- D- technical environment.

Answer:

C

Explanation:

Business Process Re-Engineering (BPR):

BPR focuses on redesigning key processes to achieve dramatic improvements in efficiency,

effectiveness, and performance.

It typically involves addressing technical systems, human factors, and process workflows, but it does not involve redefining the organization's mission, which is a strategic activity outside the scope of BPR.

Explanation of Answer Choices:

A . Key processes: Incorrect. Key processes are the primary focus of BPR.

B . Human environment: Incorrect. BPR often addresses human factors, such as roles and responsibilities.

C . Organizational mission: Correct. The mission is a strategic element and not typically redefined as part of process re-engineering.

D . Technical environment: Incorrect. BPR often involves rethinking technical systems and workflows.

Hammer & Champy, Reengineering the Corporation: A Manifesto for Business Revolution.

GAO, Business Process Re-Engineering for Government Efficiency.

Question 9

Question Type: MultipleChoice

A single audit report will include an opinion or disclaimer of opinion that the financial statements are

Options:

A- free from fraud.

B- fairly presented in accordance with GAAP.

C- fairly presented in accordance with GASB.

D- fairly presented in accordance with GAO.

Answer:

B

Explanation:

Single Audit Report Requirements:

A single audit evaluates the financial statements and compliance with federal award requirements.

The financial statement opinion must state whether the financial statements are fairly presented in accordance with Generally Accepted Accounting Principles (GAAP).

Explanation of Answer Choices:

A . Free from fraud: Incorrect. Auditors do not provide an opinion on fraud; they assess for material misstatements.

B . Fairly presented in accordance with GAAP: Correct. The financial statement opinion is issued based on compliance with GAAP.

C . Fairly presented in accordance with GASB: Incorrect. GASB (Governmental Accounting Standards Board) provides guidance for state and local governments, but financial statements must comply with GAAP as the overarching standard.

D . Fairly presented in accordance with GAO: Incorrect. The GAO (Government Accountability Office) issues auditing standards, not financial reporting standards.

OMB Uniform Guidance (2 CFR Part 200), Subpart F - Audit Requirements.

GAO, Government Auditing Standards (Yellow Book).

Question 10

Question Type: MultipleChoice

Simplified acquisition processes assist an agency by

Options:

- A- maintaining the competitive bid requirement and allowing credit card purchases.
- B- providing access to bulk purchase discounts and reducing administrative costs.
- C- increasing the number of requisitions processed.
- D- reducing acquisition staff and managerial oversight.

Answer:

B

Explanation:

* What Are Simplified Acquisition Processes?

Simplified acquisition processes are procurement methods designed to streamline purchasing for government agencies. These processes reduce the administrative burden for smaller purchases, typically below a certain dollar threshold (as defined in the Federal Acquisition Regulation (FAR)).

* How Do These Processes Assist Agencies?

Bulk Purchase Discounts: Simplified acquisition allows agencies to leverage economies of scale and negotiate bulk purchase discounts for commonly used goods and services.

Reduced Administrative Costs: By simplifying documentation, reducing oversight requirements, and accelerating the approval process, these methods lower administrative costs and increase efficiency.

* Why Other Options Are Incorrect:

A . Maintaining the competitive bid requirement and allowing credit card purchases: While simplified acquisitions may allow credit card purchases, the focus is not maintaining competitive bids but reducing costs and streamlining the process.

C . Increasing the number of requisitions processed: The goal is efficiency, not increasing the volume of requisitions.

D . Reducing acquisition staff and managerial oversight: These processes may simplify oversight but do not aim to reduce staff; instead, they help existing staff work more efficiently.

* Reference and Documents:

Federal Acquisition Regulation (FAR) Part 13: Covers simplified acquisition processes and their intended benefits.

GAO Reports on Federal Procurement (2020): Highlights the cost savings and efficiencies gained through simplified acquisition methods.

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