

CFE-Fraud-Prevention-and-Deterrence Dumps

Certified Fraud Examiner - Fraud Prevention and Deterrence Exam

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NEW QUESTION 1

Jane, a Certified Fraud Examiner (CFE). was hired to conduct a fraud examination at XYZ Company. Her examination did not reveal any conclusive evidence that fraud had occurred or was occurring. Consequently. XYZ's management asked Jane to state in her official examination report that the company is free of fraud as a means of assuring the board of directors that the company's anti-fraud controls were effective. The ACFE Code of Professional Ethics prohibits Jane from complying with management's request

- A. True
- B. False

Answer: B

NEW QUESTION 2

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

- A. True
- B. False

Answer: A

NEW QUESTION 3

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

- A. Cognitive theory
- B. Social control theory
- C. Behavioral theory
- D. Routine activities theory

Answer: B

NEW QUESTION 4

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

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

Answer: D

NEW QUESTION 5

Criminologist Charles McCaghy has slated that profit pressure is the single most compelling factor behind deviance by organizations

- A. True
- B. False

Answer: A

NEW QUESTION 6

Fraud risks related to corruption include all of the following EXCEPT

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

Answer: D

NEW QUESTION 7

White, 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

NEW QUESTION 8

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

- A. True

B. False

Answer: A

NEW QUESTION 9

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

- A. To ensure the independence of the team members a fraud risk assessment must be conducted by a consultant or other external party.
- B. The assessment team must be perceived as independent and objective by others for the assessment to be effective
- C. If the individuals conducting the fraud risk assessment truly believe that fraud could not happen at the organization 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

NEW QUESTION 10

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

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

Answer: A

NEW QUESTION 10

According to G20/OECD Principles of Corporate Governance (the Principles):

- A. Governments should have in place a corporate governance framework that promotes transparent and fair markets
- B. Companies should disclose all financial information to investors, regardless of the cost burden of the disclosure
- C. A corporate governance framework should focus on the rights of shareholders but does not need to include the rights of other organizational stakeholders
- D. All of the above

Answer: A

NEW QUESTION 12

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

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

Answer: D

NEW QUESTION 17

Which of the following is FALSE regarding corporate governance'

- A. Effective corporate governance practices are most necessary in an organization in which the owners are not also the individuals responsible for setting and executing the business strategy
- B. Effective corporate governance practices are considered to be the foundation of fraud risk management.
- C. Corporate governances primary purpose is to ensure the accuracy of the organizations financial reports
- D. An entity's corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organization

Answer: A

NEW QUESTION 18

Which of the following statements is FALSE regarding an organization's fraud risk management program1?

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

Answer: A

NEW QUESTION 22

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

- A. Organizational opportunity
- B. Absence of risk factors
- C. Potential legal punishment
- D. Social status

Answer: D

NEW QUESTION 25

Which of the following best describes the purpose of The National Commission on Fraudulent Financial Reporting (the Treadway Commission)?

- A. Studying the effect of the threat of vicarious liability on the behavior of corporate executives
- B. Designing a model corporate compliance program
- C. Defining the responsibility of the auditor in preventing and detecting fraud
- D. Determining the specific requirements of the Principles of Risk Management

Answer: C

NEW QUESTION 29

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

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

Answer: D

NEW QUESTION 31

According to the 2018 Report to the Nations, which of the following is the most common method by which frauds are detected?

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

Answer: C

NEW QUESTION 33

Gray, an independent Certified Fraud Examiner (CFE), was hired by Green, president of the ABC Corporation, to investigate allegations that one of ABC's employees is taking kickbacks. During the investigation, Gray learns that Green is involved in an unrelated fraud. Under the ACFE Code of Professional Ethics, Gray should:

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

Answer: B

NEW QUESTION 35

Employee anti-fraud education should:

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

Answer: A

NEW QUESTION 40

Open-door management policies are a fraud prevention mechanism that addresses which leg of the Fraud Triangle?

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

Answer: A

NEW QUESTION 41

Consistently punishing perpetrators can be an effective fraud prevention mechanism.

- A. True
- B. False

Answer: B

NEW QUESTION 46

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

- A. True
- B. False

Answer: A

NEW QUESTION 48

According to International Organization for Standardization (ISO) 31000 2018. an organization's risk management program should be proportionate to the organization s specific operations and objectives.

- A. True
- B. False

Answer: A

NEW QUESTION 49

Independent auditors play a critical role in enhancing the reliability of financial information by financial position and performance in compliance with accepted accounting standards.

- A. True
- B. False

Answer: A

NEW QUESTION 51

Which of the following statements regarding document retention policies (DRPs) is TRUE?

- A. Document retention policies do not need to include protocols for preserving electronic documents as most IT systems automatically preserve copies of such data
- B. When establishing a document retention policy, management should consider any industry-specific rules for documenting and regaining records
- C. An effective document retention policy permits the organization to continue the destruction of documents when faced with potential litigation
- D. All of the above

Answer: D

NEW QUESTION 55

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

Answer: C

NEW QUESTION 57

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

- A. Acting as guardians of the organization s resources and assets
- B. Managing the performance of employees charged with carrying out business activities
- C. Assessing the strategy and underlying purpose of management's decisions and actions
- D. Serving as the middlemen between shareholders and management

Answer: D

NEW QUESTION 62

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

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

Answer: B

NEW QUESTION 63

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 managements ethical philosophy and serve as a comprehensive ethics program
- D. All of the above

Answer: D

NEW QUESTION 65

Which of the following is an example of organizational crime?

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

Answer: C

NEW QUESTION 70

In a company with all of the following parties, who should have primary responsibility for the oversight of the organization's compliance program?

- A. The board of directors
- B. General counsel
- C. Internal audit
- D. The chief ethics officer

Answer: A

NEW QUESTION 71

Blue, a Certified Fraud Examiner (CFE), had an ethical dilemma regarding the contract governing one of his professional engagements. Which of the following sources of guidance would be considered the lowest level of reference to help Blue in determining the most ethical course of action?

- A. Contract law
- B. The handling of similar situations by individuals he respects
- C. Moral philosophical principles
- D. The ACFE Code of Professional Ethics

Answer: B

NEW QUESTION 72

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

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

Answer: B

NEW QUESTION 73

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

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

Answer: D

NEW QUESTION 74

The objective of anti-fraud controls is to:

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

Answer: A

NEW QUESTION 75

The findings of the 2018 Report to the Nations include all of the following EXCEPT:

- A. More occupational frauds are committed by women than by men.
- B. The majority of employees who commit occupational fraud are first-time offenders.
- C. The median losses caused by executives are higher than those caused by staff-level employees
- D. The most commonly reported red flag displayed by fraud perpetrators prior to the detection of their crime is living beyond their means

Answer: C

NEW QUESTION 76

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

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

Answer: C

NEW QUESTION 79

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

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

Answer: B

NEW QUESTION 83

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

- A. True
- B. False

Answer: A

NEW QUESTION 84

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

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

Answer: B

NEW QUESTION 87

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

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

Answer: B

NEW QUESTION 90

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

NEW QUESTION 94

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

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

Answer: B

NEW QUESTION 97

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

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

Answer: D

NEW QUESTION 98

Which of the following statements is FALSE?

- A. Controls do little good 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. Conducting covert audits is among the most effective fraud prevention methods
- D. Educating employees about company hotlines and reporting programs increases their perception of detection

Answer: A

NEW QUESTION 99

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

- A. Susan, a CFE was hired by a client to conduct a fraud examination but found nothing amiss A year later, she received a legal order from the local prosecutor's office to provide the client's file Susan complied with the court order, even though she did not have the client's authorization to do so
- B. Green, a CF
- C. uncovered several material internal control deficiencies unrelated to the financial statement fraud he was investigatin
- D. In his final report to managemen
- E. Green included information about the deficiencies even though they were unrelated to the situation he was hired to investigate.
- F. Stephanie, a CF
- G. 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.
- H. All of the above are violations

Answer: C

NEW QUESTION 103

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