

## FRAUD PREVENTION TEST 1

1. Which of the following behavioural responses involves withdrawing a positive stimulus or applying a negative stimulus in response to an undesired behaviour?  
☒ A. Punishment  
☐ B. Negative reinforcement  
☐ C. Positive reinforcement ✕  
☐ D. None of the above ✕
2. Research has shown that most individuals feel that breaking the law is morally wrong and that laws should be obeyed even when they do not agree with them.  
☒ A. True  
☐ B. False
3. Which of the following is regarded as the essential factor that makes a leader's authority effective?  
☒ A. Ability to instill fear in subordinates  
☐ B. Legitimacy  
☐ C. Strong morals  
☐ D. Experience in similar roles
4. A behaviourist view of the workplace advocates the use of incentive programmes and task-related bonuses as a way to deter employees from ethical and legal violations.  
☒ A. True  
☐ B. False
5. The theory of differential association is used frequently to explain white-collar criminality. Which of the following is one of the assertions or principles of differential association?  
☒ A. Criminal behavior is acquired through participation with intimate personal groups. ✓  
☐ B. People are genetically predisposed to be criminals. ✕  
☐ C. Criminal behavior is explained by an individual's general needs and values. •  
☐ D. Learning is the same as pure imitation ✕
6. Criminological research has generally concluded that punishing an individual for undesirable behaviour will temporarily suppress the behaviour as long as the punishment is applied directly and continuously, but that the behaviour will likely return once the punishment is discontinued.  
☒ A. True  
☐ B. False
7. Which of the following is true according to differential reinforcement theory?  
☐ A. Behavior is weakened by positive stimuli. ✕  
☐ B. Behavior is weakened when punishment is avoided. •  
☐ C. Behavior is reinforced by negative stimuli. ✕  
☒ D. Behavior is reinforced when rewards are gained.
8. According to Skinner, which of the following is the most effective way to modify a person's behaviour?  
☐ A. Ignoring it

☒ B. Positive reinforcement

C. Punishment

D. None of the above

9. A positive reinforcement presents a positive stimulus in exchange for the desired response.

☒ A. True

B. False

10. To show appreciation for an employee's hard work, a manager exempts the individual from several undesirable administrative tasks. This is an example of positive reinforcement.

☒ A. True

☒ B. False

11. According to B. F. Skinner's behaviourist theories, destructive workplace behaviour, such as fraud, can be deterred by rewarding honesty and openness.

☒ A. True

B. False

12. According to the social control theory, an individual considering criminal behaviour will likely ask himself which of the following questions?

A. "How likely is it that the crime will be detected?"

☒ B. "What would my family think if they find out?"

☒ C. "In what way can I rationalize this behavior?"

D. "What is the legal punishment if I get caught?"

13. Social control theory asserts that the less attached an individual is to social institutions and groups, the greater his or her chances of violating the law are.

☒ A. True

B. False

14. According to the differential reinforcement theory, behaviour is weakened by negative stimuli (punishment) and loss of reward (negative punishment).

☒ A. True

B. False

15. According to the social control theory, the more important that social relationships are to a person, the less likely it is that the person will commit crimes.

☒ A. True

B. False

16. Dr. Steve Albrecht conducted research that focused on fraud-related red flags in two principal categories: perpetrator characteristics and organisational environment. Which of the following was the organisational-environment factor that was most present in the frauds studied?

☒ A. Too much trust in key employees

☒ B. Inadequate attention to details

C. Lack of clear lines of authority

D. None of the above

17. An accounting clerk stealing incoming customer payments is an example of:

A. Neither organizational crime nor occupational crime

B. Both organizational crime and occupational crime

~~C.~~ Occupational crime

D. Organizational crime

18. According to Diane Vaughan, linking employees' needs and goals to the company's success can encourage unlawful conduct by individuals on the organisation's behalf.

~~A.~~ True

~~B.~~ False

19. In their studies, Clinard and Yeager found that mass media publicity about law violations was the most feared consequence of sanctions imposed on a corporation.

~~A.~~ True

~~B.~~ False

20. Research shows that a criminal's social status or class is the determinant aspect of white-collar crime.

~~A.~~ True

~~B.~~ False

21. The majority of people who commit occupational fraud are repeat offenders with prior criminal records.

~~A.~~ True

~~B.~~ False

22. The research of Dr. Steve Albrecht found which of the following personal characteristics to be the top-ranked motivating factor to commit fraud?

~~A.~~ Dislike of boss

~~B.~~ Living beyond means

C. Dislike of company

D. Criminal personality

23. According to a study conducted by Dr. Steve Albrecht, occupational crime perpetrators who were interested primarily in "beating the system" committed larger frauds than those who believed their pay was not adequate.

~~A.~~ True

~~B.~~ False

24. In their studies, Clinard and Yeager found that illegal behaviour by a corporation is most often suppressed by consumer pressure.

~~A.~~ True

~~B.~~ False

25. The two primary strategies to control corporate criminal behaviour are:

A. Compliance and deterrence

B. Enforcement and compliance

~~C.~~ Deterrence and enforcement

D. None of the above

26. Which of the following most exemplifies the rationalisation leg of the fraud triangle?

~~A.~~ "Management is dishonest, so why shouldn't I be?"

~~B.~~ "I need the money to repay my drug dealer so no one will find out about my habit."

C. "I'm confident I won't get caught"

D. "I'm in so much debt, I don't have any other way to pay my bills"

27. Which of the following represents one of the legs of the fraud triangle?

A. Rationalization

B. Perceived opportunity

C. Perceived non-shareable financial need

☒ D. All of the above

28. The typical white-collar crime offender is a male with a moderate social status.

☒ A. True

B. False

29. According to the 2014 Report to the Nations, which of the following is the most common fraud detection method?

A. Notification by law enforcement

B. External audit

C. Accident

☒ D. Tip

30. According to the authors of Crimes of the Middle Classes, advertising influences economic crimes by promising that no one has to settle for second best.

☒ A. True

B. False

31. According to the 2014 Report to the Nations, which of the three major categories of occupational fraud has the highest median loss?

A. Identity theft ☒

B. Asset misappropriation

C. Corruption ☒

☒ D. Financial statement fraud

32. According to the 2014 Report to the Nations, what was the most common behavioural red flag displayed by perpetrators prior to the discovery of their frauds?

☒ A. Living beyond his/her means

B. Complaining about lack of authority ☒

C. Divorce or family problems ☒

D. Addiction problems ☒

33. Which of the following is considered a white-collar crime?

A. An accounting clerk steals incoming payments from customers and makes falsified journal entries to cover her tracks

B. A stockbroker profits from trades made based on insider knowledge about a company

C. A city official receives kickbacks for tailoring contract requirements to specific vendors

☒ D. All of the above.

34. According to the 2014 Report to the Nations, more occupational frauds are committed by men than by women.

☒ A. True

B. False



35. In white-collar crime cases, the higher an offender's status, the more likely that person is to be imprisoned.

- ☒ A. True
- ☐ B. False

36. Cressey found that embezzlers' offences are motivated by situations that either threaten their current status or threaten to prevent them from achieving a higher status.

- ☒ A. True
- ☐ B. False

37. Criminal activities involving corporations stem primarily from the organisation's subcultures and values, rather than from the attitudes and characteristics of the individuals carrying out the crimes.

- ☒ A. True
- ☐ B. False

38. According to a study conducted by Dr. Steve Albrecht, college graduates are more likely than non-college graduates to spend the proceeds of an occupational crime on luxuries, such as extravagant holidays or expensive automobiles.

- ☐ A. True
- ☒ B. False

39. Which of the following is one of the ways Silk and Vogel found that businesses rationalise illegal or noncompliant conduct?

- ☐ A. Violations aim to protect the job security of employees
- ☐ B. Compliance with government regulations is too costly
- ☐ C. The damage done by violations is diffused among a large number of parties
- ☒ D. All of the above

40. According to Reiss and Biderman, \_\_\_\_\_ violations are those violations of law . . . that involve the use of a violator's position of economic power, influence, or trust in the legitimate economic or political institutional order for the purpose of illegal gain, or to commit an illegal act for personal or organisational gain.

- ☐ A. Organized crime
- ☐ B. Violent crime
- ☐ C. Environmental crime
- ☒ D. White-collar crime

41. According to the 2014 Report to the Nations, the majority of occupational frauds are committed by employees; median losses are highest in frauds committed by \_\_\_\_\_

- ☐ A. Owners/executives; managers
- ☒ B. Employees; owners/executives
- ☐ C. Employees; employees
- ☐ D. Owners/ executives; employees

42. The criminologist responsible for the well-known hypothesis of the fraud triangle is:

- ☐ A. Marshall B. Clinard
- ☒ B. Donald R. Cressey
- ☐ C. Immanuel Kant

D. None of the above

43. Efforts to control corporate crime generally include which of the following approaches?

A. Voluntary changes in corporate attitudes ✓

B. Consumer action ✗

C. Government intervention ✗

☒ D. All of the above

44. According to the authors of Crimes of the Middle Classes, which of the following factors have contributed to the rising problem of economic crime?

A. The economy's increased reliance on credit ✓

B. The increased opportunity for wrongdoing as a result of advancing information technologies ➔

C. The continued pressures of a culture that rewards affluence and success ✓

☒ D. All of the above

45. According to the 2014 Report to the Nations, Certified Fraud Examiners estimate that organisations lose \_\_\_\_ percent of revenues to fraud and abuse each year.

A. 2

B. 10

☒ C. 5

☒ D. 4

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

A. Adherence ✗

B. Deterrence ✗

C. Punishment ✗

☒ D. None of the above

47. Misbehaviour is less likely to be detected and punished in a complex organisational structure than in a simple organisational structure.

☒ A. True

☒ B. False

48. As a strategy to control crime, \_\_\_\_\_ is designed to achieve conformity to the law by providing economic incentives for voluntary adherence to the law and using administrative efforts to control violations before they occur.

A. Deterrence

☒ B. Prevention

☒ C. Compliance

D. None of the above

49. Sociologist Edward Gross has asserted that organisations' reliance on profit makes them inherently prone to committing fraud.

☒ A. True

B. False

\*50. The term white-collar crime was first coined by which of the following scholars?

A. Sigmund Freud

☒ B. Edwin H. Sutherland

~~40.4~~ Donald R. Cressey

D. Immanuel Kant

51. Which of the following is NOT one of the factors that Diane Vaughan cites as contributing to organisations being inherently prone to committing crime?

A. Loyalty is encouraged through social interaction, such as company parties and social functions.

~~B.~~ Long-term loyalty is encouraged through company retirement and benefits.

C. Rewards are given to employees who "rock the boat."

D. Organizations tend to recruit and attract similar individuals

52. A person's social status plays no role in his ability to commit white-collar crime.

~~40.4~~ True

~~B.~~ False

53. Management from several IT consulting firms conspires to take turns submitting the lowest bids for all contracts in their area; this is considered an organisational crime.

~~A.~~ True

B. False

54. Edward Gross and other criminologists have asserted that organisations are inherently:

A. Exploitative

~~B.~~ Criminogenic

C. Averse to misconduct

D. None of the above

55. According to ACFE research, employees are the most common source of tips that lead to the detection of fraud.

~~A.~~ True

B. False

56. Steve Albrecht's research indicates that the personal characteristics most common among fraud perpetrators are a tendency to live beyond their means, an overwhelming desire for personal gain, and high personal debt.

~~A.~~ True

B. False

57. According to criminologist Donald Cressey, which of the following is NOT essential to the commission of fraud?

A. Technical skill

B. Absence of controls

C. General information about how the company might be defrauded

~~D.~~ All of the above are essential

~~40.4~~ 58. Systems based on the compliance theory of crime control attempt to achieve conformity to the law without having to detect, process, or penalise violators.

A. True

~~B.~~ False

59. According to Steve Albrecht's Fraud Scale model, the variables that drive the occurrence of occupational fraud include:

A. Perceived opportunity

- ☒ B. Personal integrity
- ☒ C. Situational pressure
- ☒ D. All of the above

60. Research has shown that many executives justify illegal behaviour as simply common practice in the business world.

- ☒ A. True
- ☒ B. False

61. According to the 2014 Report to the Nations, which of the three major categories of occupational fraud is the most common?

- ☒ A. Corruption
- ☒ B. Financial statement fraud
- ☒ C. Identity theft
- ☒ D. Asset misappropriations

62. White-collar defendants are less likely to insist on a trial than other offenders.

- ☒ A. True
- ☒ B. False

63. According to Diane Vaughan, an employee who is truly loyal to a company would never commit fraud on the company's behalf.

- ☒ A. True
- ☒ B. False

64. Which of the following is an example of the non-shareable financial need leg of the fraud triangle?

- ☒ A. Gambling debts ✓
- ☒ B. Credit card debt from excessive shopping ✓
- ☒ C. Addiction problems ✓
- ☒ D. All of the above

65. Which of the following is TRUE regarding organisational structure?

- ☒ A. Companies with departments that are isolated geographically have a reduced risk of fraud ✓
- ☒ B. The exercise of many specialized department within a company generally increases the overall risk of fraud within the organization
- ☒ C. Misbehavior is more likely to be detected in a complex organizational structure
- ☒ D. All of the above <sup>less</sup>

66. According to the 2014 Report to the Nations on Occupational Fraud and Abuse, use of proactive data monitoring and analysis can help reduce the impact of fraud on an organisation.

- ☒ A. True
- ☒ B. False

67. According to criminologist Charles McCaghy, \_\_\_\_\_ is the single most compelling factor behind deviance by organisations.

- ☒ A. Government regulation .
- ☒ B. Profit pressure .
- ☒ C. Employee demands .
- ☒ D. None of the above .



68. Clinard and Yeager believe corporate crimes are increasingly difficult to detect because:
- A. Accounting techniques are more sophisticated ✕
  - B. Criminals are smarter ✕
  - C. Violations are more complex ✓
  - ~~D. None of the above~~
69. White-collar criminals are more likely to be fined than to face prison terms as punishment.
- A. True
  - ~~B. False~~
70. The fraud triangle theory can be used to explain every instance of fraudulent conduct.
- A. True
  - ~~B. False~~
71. The term occupational crime covers which of the following types of white-collar offences?
- A. Crimes by professionals ✓
  - ~~B. Crimes by officials~~
  - C. Crimes by individuals ✓
  - ~~D. All of the above~~
72. Research has shown that most embezzlers appear outwardly successful, but they are often mired in debt.
- ~~A. True~~
  - B. False
73. Sound corporate governance practices ensure that all stakeholders are treated equitably and are given just and appropriate consideration.
- ~~A. True~~
  - B. False
74. The Treadway Commission was established with the purpose of defining the responsibility of the auditor in preventing and detecting fraud.
- ~~A. True~~
  - B. False
75. The purpose of corporate governance is to:
- A. Ensure the accuracy and reliability of the organization's financial reports ✕
  - B. Prevent and detect financial misstatements, whether caused by errors or fraud ✕
  - ~~C. Provide reasonable assurance regarding the organization's compliance with applicable laws and regulations.~~ ✓
  - ~~D. Encourage the efficient use of resources and require accountability for the stewardship of resources and require accountability for the stewardship of those resources.~~
76. Ownership of an equity share in a publicly traded company provides an investor with a right to certain information about the corporation and a right to influence the corporation through participation in general shareholder meetings and elections.
- ~~A. True~~
  - B. False
- ✕ 77. Which of the following is NOT one of the core principles of sound corporate governance?  
Fairness

☒ B. Independence

C. Responsibility ✓

D. Transparency ✓

78. ~~Effective ownership and reporting structures~~ within an organisation are necessary for ensuring which of the following principles of corporate governance?

A. Fairness

☒ B. Accountability ✓

C. Responsibility ✓

☒ D. Transparency ✓

79. Which of the following principles of corporate governance pertains to the duty of internal parties to act in the best interest of the organisation?

☒ A. Responsibility ✓

B. Fairness

C. Transparency

D. Accountability

80. Effective corporate governance is the foundation of fraud risk management.

☒ A. True ✓

B. False

81. The commission formed in 1985 with the purpose of defining the responsibility of the auditor in preventing and detecting fraud is known as the:

A. Klaas Commission

☒ B. Treadway Commission ✓

C. Gephart Commission

D. None of the above

82. Good corporate governance practices:

A. Define the relationships and expectations of the parties involved

B. Provide clear lines of accountability and reporting

☒ C. Ensure that no single party is capable of making all the business decisions without influence, input or approval of other parties. ✓

☒ D. All of the above ✓

83. The OECD Principles of Corporate Governance are required to be implemented by all corporations in the jurisdictions that have officially adopted them.

A. True

☒ B. False ✓

84. According to the OECD Principles of Corporate Governance, companies should disclose all financial information to investors, regardless of the cost burden of the disclosure or the disclosure's possible negative effects on the company's competitive position.

☒ A. True ✓

B. False

85. The OECD Principles of Corporate Governance include which of the following?

A. A request that governments have in place an appropriate framework to support good corporate governance practices

- ☒ B. An emphasis on the importance of timely, accurate and transparent disclosure mechanisms
- ☒ C. Recognition of the importance of the role of stakeholders in corporate governance
- ☒ D. All of the above

86. Which of the following parties is responsible for overseeing business operations by assessing the strategy and underlying purpose of management's decisions and actions?

- ☐ A. Shareholders
- ☐ B. Industry regulators
- ☒ C. The board of directors
- ☐ D. External auditors

87. According to the OCED Principles of Corporate Governance, a corporate governance framework should recognise the rights of which of the following parties?

- ☒ A. Creditors
- ☒ B. Employees
- ☒ C. Shareholders
- ☒ D. All of the above

88. The \_\_\_\_\_ provide(s) guidance for stock exchanges, investors, corporations, and other parties that have a role in the process of developing corporate governance practices.

- ☐ A. INTOSAI code of ethics
- ☐ B. IIA standards for the professional Practice of Internal Auditing
- ☒ C. IOSCO principles for Auditor Oversight
- ☒ D. OECD principles of Corporate Governance

89. According to the OECD Principles of Corporate Governance, governments should have in place an effective framework to support good corporate governance practices that:

- ☒ A. Is inconsistent with the rule of law
- ☒ B. Clearly articulates the division of responsibilities among different supervisory, regulatory and enforcement authorities
- ☒ C. Promotes transparent and efficient markets
- ☒ D. All of the above

90. Good corporate governance is based on a framework that:

- ☐ A. Remains adaptable
- ☒ B. Is appropriate for the organization's legal and regulatory environment
- ☒ C. Takes into account the organization's cultural and ethical environment
- ☒ D. All of the above

91. The OECD Principles of Corporate Governance support establishing stronger protection for foreign shareholders than for domestic shareholders as a means to encourage increased international investment.

- ☒ A. True
- ☒ B. False

92. The Organisation for Economic Co-operation and Development has developed a detailed corporate governance policy that can be effectively applied to all organisations.

- ☒ A. True
- ☒ B. False

93. An entity's corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organisation and lays down the rules and procedures for organisational decision-making.
- ☒ A. True  
☐ B. False
94. According to the OECD Principles of Corporate Governance, an entity's corporate governance framework should:
- ☐ A. Ensure the equitable treatment of all shareholders, including minority and foreign shareholders.  
☐ B. Encourage active cooperation between corporations and stakeholders in creating wealth and jobs  
☒ C. Ensure the timely and accurate disclosure of all material matters regarding the corporation  
☒ D. All of the above
95. Who is responsible for holding the board of directors accountable for proper governance and oversight?
- ☒ A. The external auditors  
☒ B. The shareholders  
☐ C. The chairman of the board  
☐ D. Executive management
96. The Treadway Commission made which of the following recommendations to reduce the probability of fraud in financial reports?
- ☐ A. A written charter for the audit committee  
☐ B. A mandatory independent audit committee  
☒ C. Adequate audit committee resources and authority  
☒ D. All of the above
97. Which of the following parties is responsible for directing employees to carry out business activities and managing their performance of those tasks?
- ☐ A. Shareholders  
☐ B. External auditors  
☒ C. Management  
☐ D. The board of directors
98. Effective corporate governance practices are most important for which of the following organisations?
- ☐ A. A small souvenir shop in a tourist town that employs four retail clerks, in addition to the store's owners  
☐ B. A sole-practitioner dentist's office  
☒ C. A financial services company whose stock shares are traded on a public securities exchange  
☐ D. An advertising firm with 75 employees and four partners, all of whom actively participate in the business
99. The term \_\_\_\_\_ refers to the oversight responsibilities of different parties for an organisation's direction, operations, and performance.
- ☒ A. Risk management  
☒ B. Corporate governance



- C. Corporate compliance
- D. Fraud risk assessment

100. \_\_\_\_\_ in the context of corporate governance generally refers to the clarity, accuracy, completeness, and timeliness of the financial statements and other information provided by management to shareholders.

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

101. Which of the following is TRUE regarding a corporation's board of directors?

- A. The directors represent the middlemen between the shareholders and management ✓
- B. The directors are generally elected by the company shareholders ✓
- ☒ C. The directors oversee business operations by assessing the strategy and underlying purpose of management's decisions and actions ✓
- ☒ D. All of the above

102. In general, a corporation cannot be held vicariously liable for the acts of an employee unless the employee acted for the ostensible purpose of benefiting the corporation.

- A. True
- ☒ B. False

103. Which of the following types of personnel can potentially bind a corporation through their own misconduct?

- A. Independent contractors ✓
- B. Executive officers and directors ✓
- ☒ C. Low-level employees ✓
- ☒ D. All of the above

104. According to COSO, internal control is a process "designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance."

- ☒ A. True
- B. False

105. According to the COSO Internal Control model, an organisation should perform both ongoing evaluations and periodic, separate evaluations to ascertain whether the components of internal control are present and functioning. —

- A. True
- B. False

106. It should be the compliance officer's duty to help measure the effectiveness of the compliance programme.

- ☒ A. True
- B. False

107. When establishing a document retention policy, companies should consider:

- A. Any trade-specific rules for documenting and retaining records\*
- B. Specific concerns related to electronic documents and data

☒ C. Applicable laws and regulations regarding recordkeeping requirements

☒ D. All of the above

108. Which of the following factors should an organisation consider when designing the components of its compliance and ethics programme?

A. Organization size

B. Recurrence of similar conduct

☒ C. Industry size and standards

☒ D. All of the above

109. Which of the following is NOT one of the principles involved in the risk assessment process, as laid out by COSO?

A. Conducting ongoing monitoring of the risk management strategy

B. Assessing changes that could significantly impact the internal control system

☒ C. Setting clear organizational objectives

D. Considering the potential for fraud

110. COSO identified five interrelated components of \_\_\_\_\_.

A. Fraud

B. Ethical theories

C. Professional development

☒ D. Internal control

111. In a public company, the CEO should be charged with having primary responsibility for the oversight of the company's compliance programme.

☒ A. True

☒ B. False

112. Document retention policies should cover which of the following types of documents?

A. Client correspondence

B. Employment records

☒ C. Accounting records

☒ D. All of the above

113. COSO recommends that corporations implement control activities through formal policies that establish what is expected and procedures that put policies into action.

☒ A. True

☒ B. False

114. A mid-level manager at the XYZ Company inflated revenue figures in order to meet the company's quarterly targets. The officers and directors of XYZ did not know the fraud was occurring; therefore, the company cannot be held criminally liable for the fraud.

☒ A. True

☒ B. False

115. Which of the following is one of the interrelated components of a company's internal control system, as laid out by COSO?

A. Ethical culture

☒ B. Risk assessment

C. Independent oversight

D. Assurance function

116. According to COSO, the effectiveness of an overall system of internal controls can be determined by assessing whether several specific components are in place, functioning effectively, and operating together in an integrated manner.

☒ A. True

☐ B. False

117. According to COSO, an internal control system should be designed to provide reasonable assurance regarding the achievement of the organisation's objectives pertaining to which of the following?

☒ A. The effectiveness and efficiency of the organization's operations ✓

☒ B. The organization's adherence to the laws and regulations to which it is subject ✓

☒ C. The reporting of financial and non-financial information to internal and external parties ✓

☒ D. All of the above

118. Which of the following elements is required for a corporate compliance programme to be effective?

☒ A. Due diligence in the hiring process ✓

☒ B. Appropriate incentives for compliance with the programme ✓

☒ C. Monitoring and periodic evaluation of the compliance programme ✓

☒ D. All of the above

119. According to COSO, the control environment of an organisation:

☒ A. Provides the foundation for the overall internal control system ✓

☒ B. Sets the moral and ethical tone of the organization ✓

☐ C. Is established by directors and senior management

☐ D. All of the above

120. A corporation cannot be held criminally liable for its employees' actions if there were specific policies in place that prohibited the activity undertaken by the employees.

☒ A. True

☒ B. False

121. Under an effective document retention policy, when an organisation is faced with potential litigation or a legal document request is pending or imminent, the destruction of documents should cease.

☒ A. True

☐ B. False

122. A corporate compliance programme will only be effective if the company consistently punishes employees who violate the programme.

☐ A. True

☐ B. False

123. Which of the following parties is ultimately responsible for the prevention and detection of fraud within an organisation?

☒ A. External auditors

☐ B. Board of directors

☒ C. Management

Internal auditors

124. The evaluation and communication of internal control deficiencies in a timely manner to those parties responsible for taking corrective action is a principle related to which component of COSO's Internal Control—Integrated Framework?

- A. Monitoring
- B. Information and communication
- C. Risk assessment
- D. Control activities

125. In order for its compliance programme to be effective, an organisation must communicate the programme to all its employees through training programmes.

- A. True
- B. False