

PLANNING AND CONDUCTING A FRAUD EXAMINATION

1. Which of the following is considered good practice when selecting the participants on a team assembled to investigate fraud?
 - A. Select team members who fit the investigation's demands and objectives ✓
 - B. Select team members who have restraint and a sense of discretion ✓
 - C. Select team members with the skills needed to conduct the investigation
 - D. All of the above
2. When evidence of fraud arises, management should respond by:
 - A. Conducting an initial assessment •
 - B. Identifying who should be informed •
 - C. Preserving relevant documents •
 - D. All of the above
3. Which of the following is a measure that can be taken to avoid tipping off suspected perpetrators who are under investigation?
 - A. Investigate during off hours
 - B. Only inform those who need to know
 - C. Know what information the suspect can access
 - D. All of the above
4. Management of the ABC Company hired Michael, a fraud examiner, to investigate Deborah, an employee in ABC's accounting department, for embezzlement. According to the fraud examination methodology, which of the following individuals should Michael interview first?
 - A. Deborah ✗
 - B. John, Deborah's spouse ✗
 - C. Roger, an employee for the ABC Company, who is suspected of being an accomplice to Deborah's scheme ✗
 - D. Amanda, a neutral employee, who is the director of ABC's accounting department ✓
5. Which of the following is NOT correct with regard to fraud response plans?
 - A. A fraud response plan can send a message that management takes fraud seriously.
 - B. A fraud response plan enables management to respond to suspected incidents of fraud in a consistent manner.
 - C. A fraud response plan should be complex and extremely detailed to ensure its effectiveness. ✗
 - D. A fraud response plan should be flexible and allow appropriate responses based on the particular event
6. In general, the subject of an investigation should be interviewed first.
 - A. True
 - B. False
7. Fraud examination is best described as which of the following?
 - A. A methodology for resolving fraud allegations from inception to disposition ✓
 - B. A method for finding evidence of guilt ✗
 - C. The science of detecting fraud ✗

- D. A method of proving the culpability of a suspect
8. To properly prepare an organization for a formal fraud investigation, all employees should be notified of the investigation's existence and purpose.
- A. True
- ~~B. False~~
9. Which of the following best describes predication?
- ~~A. The basis upon which a fraud examination is undertaken ✓~~
- B. The initial phase of the investigative process ✗
- C. The means by which individuals justify their unethical actions ✓
- D. The initial phase of an interview ✗
10. Which of the following terms is defined as the totality of circumstances that would lead a reasonable, professionally trained, and prudent individual to believe a fraud has occurred, is occurring, or will occur?
- A. Suspicion ✗
- B. Declaration ✗
- ~~C. Fraud theory ✓~~
- ~~D. Predication ✓~~
11. Which of the following is the LEAST appropriate participant on a team assembled to investigate fraud?
- A. Auditors ✓
- ~~B. Suspect's supervisor ✓~~
- C. Security personnel ✓
- D. Legal counsel ✓
12. To preserve the confidentiality of a fraud investigation by ensuring that it is afforded protection under a legal professional privilege, the investigation should be conducted at the direction of, or under the supervision of, a government official.
- ~~A. True ✓~~
- ~~B. False ✓~~
13. Which of the following is NOT part of the fraud examination process?
- ~~A. Assisting in the detection and prevention of fraud ✓~~
- ~~B. Determining whether the subject is guilty or innocent ✗~~
- C. Writing reports ✓
- D. Testifying to findings ✓
14. Which of the following statements about how fraud examiners should approach fraud examinations is CORRECT?
- ~~A. Fraud examinations should begin with general information that is known, starting at the periphery and then move to the more specific details ✓~~
- B. If an individual appears to be involved in the fraud scheme, he should be interviewed first ✗
- C. In most examinations, fraud examiners should start interviewing the suspect and then work outward ✗
- D. All of the above ✓

15. Carter, a Certified Fraud Examiner for Universal Design, learns that Wallace, a salesperson with a wheeler-dealer attitude, has close relationships with several Universal Design customers. Carter also knows that Wallace has excessive gambling habits, due in part to his strong desire for personal gain. Carter has sufficient predication to:
- A. Look for evidence of misconduct in Wallace's computer and desk area. ✗
 - B. Alert management that Wallace might have committed fraud. ✓
 - ~~C. Conduct discreet inquiries into Wallace's work as a salesperson ✓~~
 - D. Directly accuse Wallace of having committed fraud. ✗
16. Which of the following should be done to prepare an organisation for a formal fraud investigation?
- A. Prepare the managers of the employees who will be involved in the investigation ✓
 - B. Notify the organization's legal counsel when the investigation is about to commence ✓
 - C. Notify key decision makers that the investigation is about to begin ✓
 - ~~D. All of the above~~
17. Which of the following is a recommended procedure for protecting a fraud investigation's case information?
- A. Avoid talking about the investigation in public or in any place where other employees could hear the communications ✓
 - B. Store all confidential documents in locked file cabinets or rooms accessible only to those who have a business need-to-know ✓
 - C. Avoid using email or other electronic means to transmit confidential case information ✓
 - ~~D. All of the above~~
18. Forensic accounting differs from fraud examination in that forensic accounting is the use of professional accounting skills in matters involving potential or actual civil or criminal litigation and may or may not involve fraud.
- ~~A. True~~
 - B. False ✓
19. To preserve the confidentiality of a fraud investigation, management should always implement a blanket policy prohibiting employees from discussing anything related to employee investigations.
- A. True ✓
 - ~~B. False~~
20. Each fraud examination should begin with the proposition that the case will end in litigation.
- ~~A. True~~
 - B. False ✓
21. Which of the following is the most accurate statement about a fraud investigation plan?
- A. An investigation plan should establish which individuals violated the law. ✓
 - B. An investigation plan should make a commitment to eradicate the fraudulent activity. ✓
 - ~~C. An investigation plan should establish the investigation's timeframe. ✓~~
 - D. An investigation plan should inform employees at all levels about the investigation ✓
22. Which of the following general statements about a fraud investigation plan is CORRECT?
- A. An investigation plan should identify the scope of the investigation ✓

- B. An investigation plan should establish the investigation's timeframe
- C. An investigation plan should establish the goals of the investigation
- ~~D. All of the above~~
23. An organisation's fraud response plan should outline how the organisation will conduct fraud examinations in every single case, regardless of the type of fraud being conducted.
- A. True
- ~~B. False~~
24. A fraud response plan outlines the actions an organisation will take when suspicions of fraud have arisen.
- ~~A. True~~
- B. False
25. When conducting fraud examinations, fraud examiners should adhere to the fraud theory approach.
- ~~A. True~~
- B. False