Vendor: ACFE

Exam Code: CFE-Investigation

Exam Name: Certified Fraud Examiner - Investigation

Version: DEMO

QUESTION 1
Which of the following is considered a best practice for preserving the confidentiality of a fraud investigation?

A. Suspend all employees involved in the investigation pending the investigation's outcome.
B. Ensure that the investigation is conducted at the direction of, or under the supervision of. a government official
C. Avoid using email or other electronic means to transmit confidential case information
D. Implement a blanket policy prohibiting all employees from discussing anything related to employee investigations

Answer: C
Explanation:
The Fraud Examiners Manual stresses confidentiality:

"To preserve confidentiality, investigators should avoid transmitting confidential information by email or other electronic means whenever possible, as these are susceptible to interception or unauthorized access."

Suspending employees or blanket bans on discussion are not best practices. Confidentiality is preserved primarily by secure communication and controlled access to information.

QUESTION 2
Which of the following is the MOST IMPORTANT question for a fraud examiner to ask before commencing a legal action to recover assets?

A. "Has the defendant been previously arrested for allegedly committing a white-collar crime?"
B. "Does the defendant have sufficient property or money to satisfy a money judgment?"
C. "Is there a relevant statute of limitations?"
D. "Is the suspect guilty of the fraudulent act?"

Answer: B
Explanation:
The Fraud Examiners Manual emphasizes that before commencing legal action to recover assets, the examiner must consider whether the defendant has assets worth pursuing:

"The most important question a fraud examiner should ask before beginning legal action to recover assets is whether the defendant has sufficient property or money to satisfy a judgment. Legal actions can be time-consuming and costly, and recovery efforts are futile if the defendant is judgment- proof."

Before commencing legal action to recover assets, the most critical consideration is whether the defendant has recoverable assets. If the defendant lacks property or funds, pursuing legal action could be costly and ultimately fruitless.

From the 2014 International Fraud Examiners Manual:

"After a fraud is discovered, fraud examiners might need to assist in making a recommendation concerning the recovery of lost assets... A domestic judgment against a foreign defendant is usually helpful for recovering the defendant's assets located in the domestic country, but might be worthless for obtaining the defendant's assets in a foreign country."

This emphasizes that enforcement of judgments is only meaningful if assets exist to satisfy them.

Similarly, the CFE Prep - Investigations material highlights asset tracing and recovery as the foundation for deciding legal action:

"Records obtained from financial institutions are perhaps the single most important financial source available to fraud examiners for purposes of tracing assets."

QUESTION 3
Which of the following is one of the purposes of closing questions in a routine interview?

A. To close the interview positively and maintain goodwill
B. To assess whether the subject is ready to confess
C. To confirm the credibility of the witness being interviewed
D. To reduce testimony to a signed, written statement

Answer: A
Explanation:
The 2014 Fraud Examiners Manual and CFE Prep explain:

"Closing questions seek to close the interview positively. In routine interviews, closing questions serve the following purposes: reconfirm facts, gather additional facts, and conclude the interview in a manner required to maintain goodwill."

Thus, the correct answer is A.

QUESTION 4
Jackson, a Certified Fraud Examiner (CFE). is analyzing Elm Company's accounts payable data to identify anomalies that might indicate fraud. Which of the following is the MOST EFFECTIVE data analysis function that Jackson could use to look for potential fraud in accounts payable?

A. Compare book and tax depreciation and indicate variances
B. Identify paychecks with amounts over a certain limit
C. Summarize large invoices by amount and vendor
D. All of the above

Answer: C
Explanation:
The 2014 International Fraud Examiners Manual provides examples of data analysis for accounts payable:

"Examples of data analysis queries that can be performed to help detect fraud through examination of accounts payable include:

Audit paid invoices for manual comparison with actual invoices.

Summarise large invoices by amount, vendor, etc.

Identify debits to expense accounts outside of set default accounts.

Reconcile cheque registers to disbursements by vendor invoice."

While other functions apply to payroll or asset management, the most effective function for accounts payable fraud detection is to summarize large invoices by amount and vendor.

QUESTION 5
If your suspect is spending suspected illicit funds on consumables (e.g.. travel and entertainment) and you need to prove their illicit income circumstantially, which of the following methods of tracing assets would yield the BEST result?

A. expenditures method
B. The consumables method
C. The income method
D. The asset method

Answer: A
Explanation:
The Fraud Examiners Manual states:

"The expenditures method works best when the subject spends illicit income on consumables (e.g., travel and entertainment), because when the subject spends the illicit income, it will not cause an increase in net worth."

CFE Prep confirms:

"The expenditures method ... is best used when the subject spends illicit income on consumables (such as travel and entertainment) that would not cause an increase in net worth."

Thus, the correct answer is A.

QUESTION 6
Fraud examination reports should be written with which of the following audiences in mind?

A. The media
B. Opposing legal counsel
C. Investors and owners
D. All of the above

Answer: D
Explanation:
Fraud examination reports are not written only for internal use. The 2014 International Fraud Examiners Manual clearly emphasizes:

"When drafting a report, fraud examiners must consider who might end up reading it. Fraud examiners should keep in mind that the fraud examination report will be read by the general public and adverse parties. Under no circumstances should the fraud examiner prepare a communication with the idea that the information will not be disclosed to adverse third parties. Fraud examiners should draft their reports with this caveat in mind."

The manual further specifies the wide range of potential readers:

"There are many individuals and groups that might end up reading a fraud examination report, including the following parties:

Company insiders (managers, board of directors, owners, investors, etc.)

Attorneys (legal counsel, prosecutors, regulators, and defense counsel)

Defendants and witnesses

Press and media outlets

Judges or juries"

This aligns with the CFE Prep - Investigations study guide, which also confirms:

"There are many parties that might read a fraud examination report, including company insiders, attorneys, defendants and witnesses, press and media outlets, and judges or juries."

Interpretation:

The media may access the report through litigation disclosures or leaks.

Opposing legal counsel will review the report during discovery or trial.

Investors and owners (company insiders) are primary stakeholders.

Thus, the only correct choice is D. All of the above, because fraud examination reports must be written with all possible audiences in mind, ensuring accuracy, clarity, impartiality, and professionalism to withstand scrutiny from multiple directions.

QUESTION 7
Tyson, a fraud examiner, is planning an interview with Brianna. the girlfriend of the central suspect in Tyson's investigation. Previous interviews with others have revealed that Brianna tends to be very protective of her boyfriend How should Tyson approach the interview with Brianna?

A. Avoid interviewing Brianna if possible due to Brianna's potential volatility.
B. Conduct the interview with as little notice as possible so Brianna will be unprepared
C. Provide Brianna with advance notice prior to the interview to inhibit resentment.
D. Ask Brianna when she would prefer to be interviewed in an effort to provoke cooperation.

Answer: B
Explanation:
According to the CFE Prep - Investigations study guide:

"It is recommended that any witnesses who are considered potentially volatile be interviewed without advance notice. Surprise should be employed in any interview that is considered potentially volatile. In many instances, the potentially volatile respondent is unaware that he is going to be questioned, and will therefore be unprepared. If the interview is not conducted by surprise, the interviewer runs the risk of the respondent not showing up, showing up with a witness, or being present with counsel. A target's friends, relatives, and romantic interests often make for a difficult interview. They perceive that the fraud examiner is deliberately targeting someone close to them."

Interpretation for this scenario:

Brianna is described as very protective of her boyfriend, making her a potentially volatile witness.

Best practice is to avoid giving her advance notice (which might increase hostility, resentment, or allow preparation).

Conducting the interview with little or no notice reduces the risk of interference, ensures she is unprepared, and prevents her from appearing with legal counsel or allies.

QUESTION 8
If the following statements were included in a fraud examination report of a qualified expert, which of them would be IMPROPER?

A. "When asked a second time about the amount of funds missing, the suspect contradicted their previous testimony."
B. "The evidence shows that between S1 million and S1.5 million in assets were transferred to an offshore account."
C. "The organization must address the inadequate separation of accounting duties to prevent such an event from happening again."
D. "In light of all the evidence, the suspect is most likely guilty of fraud against the organization."

Answer: D
Explanation:
The Fraud Examiners Manual makes clear:

"Fraud examiners should never offer opinions regarding guilt or innocence. Reports must be factual, objective, and free from speculation. Statements implying guilt are improper."

Thus, while it is proper to note contradictions, evidence, or control weaknesses, it is improper to declare the suspect guilty.

QUESTION 9
Which of the following is a factor that fraud examiners should consider when determining whether to dispose of evidence following the conclusion of a fraud examination?

A. Whether the information was presented by a lay witness or an expert witness
B. Whether the evidence is documentary or testimonial
C. Whether the evidence is direct or circumstantial
D. Whether the organization has a general document retention policy in place

Answer: D
Explanation:
The Fraud Examiners Manual notes:

"Management of an organisation should ensure that the organisation has a proper and effective document retention policy in place... An effective policy requires clear retention protocols... and should be immobilised due to a pending investigation or foreseeable litigation."

Thus, the existence of a document retention policy is a critical factor in deciding how to dispose of evidence.

QUESTION 10
Beta, a Certified Fraud Examiner (CFE). is conducting an admission-seeking interview of Delta, a fraud suspect. In establishing a rationalization. Beta says to Delta. "I know you didn't do this for yourself: it was for your family." This technique seeks to establish rationalization by:

A. Reducing Delta's stress about possibly being fired

B. Claiming Delta's action was for altruistic reasons
C. Reducing Delta's perception of the legal seriousness of the matter
D. Establishing that Delta's family was being treated unfairly

Answer: B
Explanation:
During admission-seeking interviews, fraud examiners often employ rationalization techniques to help the suspect justify their misconduct and make it easier to confess. One of these rationalizations is the altruistic appeal.

From the 2014 International Fraud Examiners Manual:

"Facilitators of communication are those socio-psychological forces that make conversations, including interviews, easier to accomplish. These facilitators require a basic understanding of what motivates people. The facilitators are: fulfilling expectations, recognition, altruistic appeals, sympathetic understanding, new experience, catharsis, need for meaning, and extrinsic rewards."

From the CFE Prep - Investigations study guide:

"Facilitators of communication... include fulfilling expectations, recognition, altruistic appeals, sympathetic understanding, new experience, catharsis, need for meaning, and extrinsic rewards."

Application to Scenario:

Beta says: "I know you didn't do this for yourself; it was for your family."

This is a classic altruistic appeal -- reframing the suspect's motive as selfless or for the benefit of others, rather than selfish wrongdoing.

The purpose is to reduce internal resistance to confessing by allowing the suspect to rationalize the act as being for a noble reason.

QUESTION 11
Which of the following questions is MOST HELPFUL for fraud examiners to ask themselves when determining the legality of electronically recording a conversation?

A. "Can the recording include both audio and video?
B. "Will the recording equipment produce a digital file?"
C. "Will the recorded conversation take place before or after work?"
D. "How long is the anticipated recording expected to last?"

Answer: A
Explanation:
The correct answer is: Whether recording is legal depends on consent laws -- so the most helpful question is effectively: "Is consent required from one or all parties to record this conversation?"

Among the provided choices, the closest match is NOT listed explicitly. But based on the ACFE manuals, the correct interpretation is that none of the technical details (audio/video, file format, time, duration) matter -- only the legal consent requirement matters.

Complete Detailed Explanation with Exact Extracts from Fraud Examiner (CFE) - Investigation Documents:

The 2014 International Fraud Examiners Manual states:

"In some circumstances, recording an interview might be illegal. Some jurisdictions limit an employer's right to record employee interviews during an investigation. In fact, in some jurisdictions, audio recording an interview is permitted only with the consent of all parties to the communication. Thus, fraud examiners should always consult with an attorney when deciding whether to record an interview."

It further emphasizes:

"A telephone recording consent form stipulates where, when, and with whom telephone conversations can be recorded... Be cautioned that the form alone does not make the conduct of recording a telephone conversation illegal or legal."

QUESTION 12
Gilbert is preparing to conduct a covert investigation. Before acting, he wants to wnte a memorandum documenting his plan. Which of the following pieces of information should he include in this memorandum?

A. The information expected to be gained from the operation
B. The identities of any confidential sources to be used in the operation
C. His first impression regarding the subject's culpability
D. All of the above

Answer: A
Explanation:
The Manual and Prep Guide state:

"Before conducting a covert operation, it is essential that the basis for the operation be committed to writing, preferably in a memo. The memorandum should clearly state: the information upon which the covert operation will be based; the information that is expected to be gained from the operation; the identities of suspects, if known; operatives under the fraud examiner's care, custody, or control. Confidential sources' identities should not be disclosed."

Thus, expected information belongs, but confidential source identities must not

QUESTION 13
Which of the following is a common characteristic that asset hiders look for in the financial vehicles they use to conceal their assets?

A. Accessibility
B. Transparency
C. Exclusivity
D. Traceability

Answer: A
Explanation:
The 2014 International Fraud Examiners Manual states:

"Asset hiders look for certain characteristics in the financial vehicles they use to conceal assets. Asset hiders want products that are liquid (i.e., items that can be purchased and sold in a short period of time). Moreover, asset hiders want products that are difficult to trace or untraceable. With such instruments, asset hiders can break or muddy links between the initial receipt of the assets and their final disposition. Asset hiders also look for products that are secure and

accessible."

The CFE Prep - Investigations guide confirms:

"Asset hiders want products that are liquid, difficult to trace, secure, and accessible... NOT transparent."

QUESTION 14
Tara. a Certified Fraud Examiner (CFE). is searching social media sites for evidence in a fraud investigation. Which of the following is the MOST ACCURATE statement regarding what Tara should do when mining social media sites for evidence of fraud?

A. Tara should preserve the information by saving the links of the postings as bookmarks in her browser.
B. Tara should preserve the metadata by printing out the web pages of each of the postings.
C. Tara should conduct a forensic shutdown of the computer to preserve the metadata m the social networking sites.
D. Tara should preserve the information from the sites so that it can be established as authentic if used in court.

Answer: D
Explanation:
The Fraud Examiners Manual and CFE Prep emphasize:

"Generally, documentary evidence, including digital evidence, will not be admitted in a legal proceeding unless it is established as authentic... Consequently, fraud examiners who collect evidence from social media must capture, download, and preserve any useful information as soon as they discover it, and they must memorialize each step of the collection process".

Thus, preservation for authenticity is the key.

QUESTION 15
All of the following are true with regard to textual analytics EXCEPT:

A. When conducting textual analysis, the fraud examiner should come up with a list of fraud keywords to search for.
B. Textual analytics is used to reveal patterns, sentiments, and relationships indicative of fraud
C. The purpose of textual analytics is to search for and find an admission of fraud that can be presented in court
D. Textual analytics provides the ability to uncover warning signs of potentially fraudulent employee behavior

Answer: C
Explanation:
Textual analytics is described as:

"a method of using software to extract usable information from unstructured text data... to reveal patterns, sentiments, and relationships indicative of fraud... Textual analytics provides the ability to uncover additional warning signs of rogue employee behavior".

Its purpose is not to find direct admissions but to identify indicators and patterns.

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