Certified Fraud Examiner (CFE) - Fraud Investigations and Legal Issues

ACFE CFE-Fraud-Investigations-and-Legal-Issues

Version Demo

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QUESTION NO: 1

An attorney hires a fraud examiner to work on an embezzlement case. In connection with the case, the attorney emails the fraud examiner a copy of a memorandum that is protected by a legal professional privilege. Which of the following statements is most accurate?

A. The attorney did not waive the privilege because the legal professional privilege belongs to the client, not the attorney.

B. The attorney did not waive the privilege because the attorney hired the fraud examiner to work on the case.

C. The attorney waived the privilege because they transmitted the protected information to a third party.

D. The attorney waived the privilege because they used email to transmit the protected information.

ANSWER: B

Explanation:

The attorney did not waive the privilege because the attorney hired the fraud examiner to work on the case. A fraud examiner retained by counsel to assist counsel's provision of legal services can function as a necessary third-party consultant within the privileged legal team. In that role, receiving a privileged memorandum for the purpose of analyzing evidence, assisting the attorney's investigation, or helping counsel formulate legal advice ordinarily does not destroy confidentiality merely because the examiner is not the client or an employee of the law firm. This principle is especially relevant in complex financial-crime matters, where counsel may need specialized accounting or fraud-investigation expertise to understand the facts and provide informed legal advice. Privilege remains dependent on the governing jurisdiction and on maintaining the communication's confidential, legal-assistance purpose; counsel should limit distribution and use secure methods of transmission. The fact pattern states that the attorney hired the fraud examiner to work on the embezzlement case, which supports treatment of the examiner as counsel's consultant rather than an unrelated recipient. The United States Supreme Court has recognized that privilege can encompass communications involving persons needed to facilitate legal advice in Upjohn Co. v. United States. Federal Rule of Evidence 502 likewise addresses preservation of privilege in disclosures connected with litigation and legal proceedings: Federal Rule of Evidence 502.

QUESTION NO: 2

In a particular country ' s judicial process, the judge oversees the investigation of a case is primarily responsible for questioning witnesses and generally plays a larger role in the evidence-gathering process than the parties ' legal counsel Which of the following BEST describes this type of judicial process ' ?

A. Adversarial process

B. Substantive law process

C. Inquisitorial process

D. Common law process

ANSWER: C

Explanation:

The **Inquisitorial process** is correct because it describes a system in which the judge takes an active role in establishing the facts of the case. Rather than serving principally as a neutral referee between opposing advocates, the judge may direct or oversee the investigation, question witnesses, seek additional evidence, and shape the evidentiary record. Counsel for the parties still participate and may present arguments or request investigative steps, but they generally have a less dominant evidence-gathering and witness-examination role than in a party-driven trial model.

This distinction is important in fraud examinations and cross-border matters because the investigator's interaction with prosecutors, examining judges, and counsel can vary substantially by legal system. In an inquisitorial setting, the official investigation file and the judicial authority's fact-finding role may be central to how evidence is developed and evaluated. The International Criminal Court describes its pre-trial process as involving judicial supervision of investigations and proceedings, illustrating the active judicial functions associated with this approach. See the International Criminal Court's overview of how the Court works and the Encyclopaedia Britannica overview of inquisitorial procedure.

QUESTION NO: 3

Jade, a Certrfied Fraud Examiner (CFE). is conducting an internal investigation in which an employee is suspected of stealing inventory and selling it through a possible shell company called Hidden Finds. LLC. When Jade tries to check Hidden Finds ' website, a message appears that redirects customers to a web address that ends with onion To view the website ' s content. Jade will need to install a specialized web browser that enables her to access which of the following?

A. The deep archives

B. The free web

C. The dark web

D. The internet archives

ANSWER: C

Explanation:

The dark web is correct because an address ending in `.onion` is an onion service, which is designed to be accessed through the Tor network rather than through an ordinary web browser. Tor Browser provides the specialized routing and protocol support necessary to resolve and connect to onion-service addresses. In an internal fraud investigation, a suspected shell company's onion address could be relevant evidence of how it markets stolen inventory, communicates with buyers, or conceals its online presence. The investigator should preserve the redirect message, the complete URL, the date and time of access, and relevant screenshots or other capture records consistent with organizational procedures and applicable law. Access should be conducted carefully, using authorized investigative resources and maintaining a clear chain of custody for any information collected. The Tor Project explains that onion services are reachable only through the Tor network and that Tor Browser is the recommended means of accessing them. See the Tor Project's explanation of onion services and the Tor Browser User Manual.

QUESTION NO: 4

Which of the following is the MOST ACCURATE statement about imaging suspect computers ' hard drives?

A. Imaging enables the retrieval of data from the suspect computer directly via its operating system.

B. Imaging prohibits access to the suspect computer ' s hard drive by individuals not professionally trained in forensic analysis

C. Imaging creates pictures of the suspect computer system and its wires and cables

D. Imaging allows for the analysis of data from a suspect computer without altering or damaging the original data in any way

ANSWER: D

Explanation:

Imaging allows for the analysis of data from a suspect computer without altering or damaging the original data in any way. In a forensic context, an image is a bit-for-bit, or sector-by-sector, duplicate of a storage device that captures active files, deleted data that may remain in unallocated space, file-system information, and other relevant artifacts. Investigators preserve the original device as evidence and conduct examination on a verified forensic copy instead. This approach supports evidence integrity because interacting with a computer through its normal operating system can change metadata, logs, temporary files, and other data. A properly documented imaging process also includes calculating cryptographic hash values for the source drive and forensic image; matching values provide a means of demonstrating that the copy remained unchanged. Maintaining the original in a controlled condition while analyzing a working copy is consistent with sound digital-evidence handling, reproducibility, and chain-of-custody practices. The National Institute of Standards and Technology describes forensic acquisition as creating a duplicate suitable for examination while preserving evidentiary integrity. See NIST Computer Forensics and the ACFE Fraud Examiners Manual.

QUESTION NO: 5

When documenting interviews, it is best practice for the interviewer to:

A. Record notes from all interviews that have been conducted in the same document for easy reference.

B. Avoid drawing unnecessary attention to electronic recording devices, if legally permitted to record, so the interviewee is not distracted.

C. Conclude the interview notes by documenting any opinions or impressions regarding each subject’s guilt or innocence.

D. Transcribe all the subject’s responses using their exact words to prevent any potential claims of misquotation.

ANSWER: B

Explanation:

Avoid drawing unnecessary attention to electronic recording devices, if legally permitted to record, so the interviewee is not distracted. This approach supports the central purpose of an investigative interview: obtaining a complete, accurate, and reliable account while maintaining rapport and allowing the interviewee to concentrate on the questions and their responses. A recording can preserve the substance, sequence, and tone of an interview and can assist the fraud examiner when preparing interview memoranda or evaluating later statements. However, the interviewer should manage recording equipment professionally and unobtrusively rather than allowing it to dominate the interaction. Excessive focus on a device can make an interviewee self-conscious, interrupt the conversational flow, and inhibit useful communication. The examiner must first ensure that recording is lawful in the relevant jurisdiction and comply with applicable organizational procedures, including any required notice or consent. This balanced practice preserves the evidentiary value of an accurate record while promoting an effective interview environment. It also aligns with the fraud examiner’s professional duty to perform assignments with integrity and due care, as reflected in the ACFE Code of Professional Ethics. For an example of formal recording-policy considerations, see the U.S. Department of Justice’s Electronic Recording of Custodial Interviews guidance.

QUESTION NO: 6

Which of the following questions would be MOST EFFECTIVE when establishing a baseline during an interview?

A. " Do you know who had access to the file? "

B. " Are you familiar with the company ' s policies regarding ethics? "

C. " Have you committed any misconduct against the company? "

D. " How long have you been in this department? "

ANSWER: D

Explanation:

"How long have you been in this department?" is the most effective question for establishing a behavioral baseline because it is neutral, routine, and unlikely to create anxiety or cause the respondent to feel accused. Early in an interview, the interviewer should use ordinary rapport-building conversation to observe the person’s normal verbal and nonverbal mannerisms, such as speech rate, tone, posture, eye contact, and responsiveness. Those observations provide a point of comparison when the interviewer later moves to issues that are more sensitive or potentially incriminating. A question about the respondent’s length of service in a department is straightforward, nonthreatening, and generally easy to answer accurately without defensiveness. It therefore helps the interviewer gather a reliable sense of the respondent’s usual behavior under low-stress conditions. Establishing this baseline supports a more thoughtful assessment of changes in behavior later in the interview, while recognizing that behavioral observations are investigative cues rather than proof of deception. ACFE guidance emphasizes rapport and strategic interviewing as core fraud-examination practices; see the ACFE CFE Exam Prep Course and the ACFE fraud resources.

QUESTION NO: 7

Which of the following statements is MOST ACCURATE concerning how criminal bargaining agreements are typically handled in jurisdictions where such agreements are allowed?

A. The presiding judge generally has the discretion to determine whether either party will offer a bargaining agreement.

B. The prosecution generally has the discretion to determine whether to offer a bargaining agreement.

C. Both the prosecution and the judge determine whether to offer a bargaining agreement.

D. The defendant's counsel determines whether to offer a bargaining agreement.

ANSWER: B

Explanation:

The prosecution generally has the discretion to determine whether to offer a bargaining agreement. A criminal bargaining agreement—most commonly a plea agreement—is initiated through the prosecutor's charging and plea-resolution authority. Prosecutors assess the evidence, applicable law, seriousness of the conduct, interests of justice, and any governing office policies when deciding whether an agreement should be offered and on what terms. The defendant may accept, reject, or negotiate a proposed agreement with advice from counsel, but the decision to extend an offer ordinarily belongs to the prosecution.

Judicial involvement is important but distinct. In a typical plea process, the court ensures that a guilty plea is knowing, voluntary, and supported by an adequate factual basis, and it may accept or reject an agreement where the applicable rules permit. That supervisory role does not ordinarily make the judge the party who decides whether the prosecution will make an offer. The U.S. Department of Justice recognizes that plea agreements are subject to prosecutorial authority and policy, while Federal Rule of Criminal Procedure 11 describes the court's role in considering and accepting plea agreements. See the U.S. Department of Justice Justice Manual and Federal Rule of Criminal Procedure 11.

QUESTION NO: 8

Which of the following statements concerning the selection of expert witnesses during trial is MOST ACCURATE?

A. Generally, the court selects the primary expert witnesses in adversarial jurisdictions and the parties do not participate in the selection.

B. Generally, the parties select the expert witnesses in both inquisitorial and adversarial jurisdictions.

C. Generally, the court selects the primary expert witnesses in inquisitorial jurisdictions and the parties do not hire them directly.

D. Generally, the parties select expert witnesses in inquisitorial jurisdictions but not in adversarial jurisdictions.

ANSWER: C

Explanation:

Generally, the court selects the primary expert witnesses in inquisitorial jurisdictions and the parties do not hire them directly. This is the most accurate statement because inquisitorial legal systems give the judge a central, active role in investigating and developing the evidence. When specialized knowledge is needed, the court commonly appoints an independent expert to assist the court, and that expert's role is ordinarily to aid the judicial fact-finding process rather than to advocate for one side. The parties can typically comment on the expert evidence, ask questions, and in some jurisdictions obtain or propose additional expertise, but the central model is court-directed expert appointment. This approach reflects the broader inquisitorial emphasis on a judge-led inquiry and a case record developed under judicial supervision. For fraud examiners, this distinction matters when planning cross-border matters: the method for identifying, retaining, instructing, and challenging experts can differ substantially depending on whether the proceeding follows an inquisitorial or adversarial model. Cornell Law School provides a concise overview of the inquisitorial system, and the European e-Justice Portal discusses the use of evidence, including court procedures, across European jurisdictions.

QUESTION NO: 9

In most countries employers must provide notice to their employees before they implement an employee monitoring program

A. True

B. False

ANSWER: A

Explanation:

True is correct. Employee monitoring commonly involves the collection and use of personal information, such as email and internet activity, device location, video footage, keystrokes, telephone records, or access-log data. Privacy and data-protection frameworks in many jurisdictions therefore require employers to be transparent about monitoring before it begins. Meaningful notice generally identifies the types of monitoring, the business purpose, the information collected, how it will be used or retained, and, where applicable, who may receive it. Notice may be provided through a workplace privacy notice, acceptable-use policy, employment agreement, or employee handbook, subject to applicable local-law requirements.

This advance disclosure supports a fair balance between an employer's legitimate need to protect assets, investigate suspected misconduct, maintain security, and manage operations and an employee's reasonable privacy interests. For fraud examiners, confirming that the organization gave appropriate notice is an important preliminary step when assessing whether electronically obtained evidence can be used and whether the examination was conducted consistently with privacy obligations and internal policy. For example, the GDPR transparency requirements require data controllers to provide data subjects with information about processing, including its purposes and relevant details, as set out in Articles 13 and 14 of the GDPR. The UK Information Commissioner's Office also specifically addresses transparency and accountability in its guidance on monitoring at work.

QUESTION NO: 10

Which of the following is TRUE of a follow-up/recommendations section in a written fraud examination report?

A. A follow-up recommendations section is a required part of every written fraud examination report

B. A follow-up/recommendations section calculates the amount of fraud-related loss sustained by the organization

C. A follow-up/recommendations section should state remedial measures for the organization to undertake

D. All of the above

ANSWER: C

Explanation:

A follow-up/recommendations section should state remedial measures for the organization to undertake. In a fraud examination report, this section is used to communicate practical actions that can address conditions identified during the examination and help the organization respond appropriately after the matter is reported. Depending on the engagement and the facts established, recommendations can address such measures as reviewing or strengthening relevant internal controls, improving security or oversight, conducting further inquiry, preserving evidence, or taking other defined follow-up steps. The recommendations should be grounded in the examination's findings and framed clearly enough that management can understand the action being proposed. ACFE guidance treats recommendations as a potentially useful, but optional, report component; when the examiner elects to include one, its purpose is to identify remedial or follow-up action rather than merely restate factual findings. This approach supports the broader anti-fraud objective of using examination results to improve fraud risk management and internal controls. See the ACFE's resources on fraud resources and its reports and statistics for guidance and research on organizational anti-fraud measures.

QUESTION NO: 11

Which of the following is TRUE of a well-written fraud examination report?

A. The details of witness interviews should be reported in a separate memorandum.

B. The report should discuss only the evidence that substantiates the fraud allegation

C. All information provided by witnesses, regardless of relevance, should be included in the report.

D. Technical terms should be included whenever possible to convey professionalism.

ANSWER: A

Explanation:

The details of witness interviews should be reported in a separate memorandum. A fraud examination report is intended to present the engagement's relevant findings in a clear, objective, concise, and reader-friendly format. It should communicate what was examined, the procedures performed, the evidence supporting the findings, and the conclusions reached without becoming an unwieldy transcript of every investigative activity. A separate interview memorandum preserves the fuller record of each interview, including the questions asked, the witness's account, important observations, and any follow-up matters. This approach allows the report to accurately summarize interview evidence that is material to the findings while retaining detailed contemporaneous documentation for the case file. Maintaining separate interview memoranda also supports effective review by counsel, management, or other authorized users and helps the examiner demonstrate that information was documented in an organized, professional manner. The ACFE emphasizes that fraud examination reports should be factual, impartial, and limited to relevant information, with workpapers and supporting documentation maintained to substantiate the examiner's conclusions. See the ACFE Anti-Fraud Resource Guide and the ACFE Fraud Resources.

QUESTION NO: 12

Which of the following actions describes a best practice that management should take to preserve the confidentiality of a fraud investigation?

A. Suspend all employees involved in the investigation until the case has been resolved.

B. Appoint a law enforcement officer or government official to supervise the investigation.

C. Create and implement a policy that states that all employees are prohibited from discussing an ongoing employee investigation.

D. Inform anyone involved in the investigation that they should avoid using unsecured email to transmit confidential case information.

ANSWER: D

Explanation:

Inform anyone involved in the investigation that they should avoid using unsecured email to transmit confidential case information. This is a sound confidentiality control because fraud investigations commonly involve sensitive employee, financial, witness, and evidentiary information. Sending that information through unprotected or improperly addressed email can expose it to unauthorized recipients, interception, uncontrolled forwarding, or retention outside the investigation file. Management should instruct participants to use approved secure communication methods and to share case information only with individuals who have a legitimate need to know it for the investigation.

This practice also supports the integrity of the investigation. Protecting confidential information reduces the risk that subjects or other unauthorized persons will learn details prematurely, alter records, coordinate accounts, retaliate against witnesses, or otherwise compromise fact-finding. Secure transmission should be part of a broader case-management approach that includes access controls, appropriate document storage, and careful handling of investigative communications. The ACFE's ethical standards emphasize safeguarding confidential information obtained in the course of professional work, while NIST guidance addresses security considerations for electronic messaging. See the ACFE Code of Ethics and NIST Guidelines on Electronic Mail Security.

QUESTION NO: 13

Which of the following can be obtained from a wire transfer record?

A. The name of the receiving institution ' s registered agent

B. The recipient ' s government identification number

C. The name of the sender or originator

D. The sending institution ' s accreditation type

ANSWER: C

Explanation:

The name of the sender or originator can be obtained from a wire transfer record because originator information is a core element of the information financial institutions must retain and transmit for qualifying funds transfers. In this context, the originator is the person or entity that initiates the payment order. Wire-transfer documentation commonly identifies that originator by name and may also contain related identifying information, such as an address, account number, or other unique identifier. This information is particularly valuable in a fraud examination because it helps trace the source of funds, connect a transfer to a particular person or business, develop a transaction timeline, and support requests for supporting bank records. U.S. Bank Secrecy Act recordkeeping rules require financial institutions to include and retain specified originator information in transmittal orders, subject to applicable thresholds and exceptions. The FFIEC's BSA/AML examination guidance similarly describes originator information as required wire-transfer data that institutions use for compliance monitoring and investigative purposes. Accordingly, a wire transfer record is an important source for identifying who sent the funds. See 31 C.F.R. § 1010.410 and the FFIEC Wire Transfer Recordkeeping guidance.

QUESTION NO: 14

Which of the following is NOT true about observing the reactions of interview subjects?

A. The interpretation of an interview subject ' s reactions requires specific skills on the part of the interviewer.

B. The observation of a subjects body language is often just as important as the observation of the words used by the subject.

C. Emotive words should be used early in the interview to observe the respondents emotional reaction.

D. To effectively observe reactions, an interviewer should move from less sensitive to more sensitive questions as the interview progresses.

ANSWER: C

Explanation:

Emotive words should be used early in the interview to observe the respondents emotional reaction. is the statement that is not true. In a fraud examination interview, the early phase is designed to establish rapport, obtain background information, and create an environment in which the subject can communicate without unnecessary pressure. The interviewer should use neutral, nonaccusatory language and proceed in a logical sequence from general, less-sensitive matters toward more sensitive topics. Introducing emotionally charged terminology at the outset can provoke defensiveness, anger, fear, or withdrawal. Those reactions may interfere with rapport and reduce the reliability and completeness of information obtained, rather than yielding useful observations.

Observing reactions is most meaningful when the interviewer can compare a subject's verbal responses, demeanor, and nonverbal behavior against an established baseline while maintaining a professional, controlled interview atmosphere. Careful question wording helps the examiner observe changes in behavior without manufacturing an emotional response through provocative language. This approach is consistent with the interview principles addressed in the ACFE's fraud examination resources and the professional interviewing guidance in its Fraud Examiners Manual. Additional ACFE interview-training resources are available through ACFE training events.

QUESTION NO: 15

Which of the following sources of information is usually considered to be the MOST IMPORTANT in tracing a subject ' s assets?

A. Credit card statements

B. PaystuDs

C. Surveillance footage

D. Financial institution records

ANSWER: D

Explanation:

Financial institution records are usually the most important source for tracing a subject's assets because they provide direct, contemporaneous documentation of the movement, location, ownership, and disposition of funds. Account statements, deposit records, wire-transfer information, canceled checks, account-opening documents, and records identifying authorized signers can help a fraud examiner reconstruct financial activity and follow funds through multiple transactions or accounts. These records can also reveal relationships among individuals and entities, identify sources of illicit proceeds, and locate assets that may be subject to recovery. In an asset-tracing investigation, financial records are especially valuable because they are generally created and maintained in the ordinary course of a financial institution's business, making them reliable evidence and a practical foundation for building a transaction chronology. The ACFE identifies records obtained from financial institutions as perhaps the single most important financial source available for tracing purposes. Asset tracing also commonly depends on formal legal process and cooperation with financial institutions to obtain records while preserving their evidentiary value. See the ACFE Fraud Conference resources and the Financial Crimes Enforcement Network statutes and regulations resources.

QUESTION NO: 16

Janice, an accountant for ACME Entertainment, misappropriates a significant amount of money from ACME accounts. After an internal investigation, ACME management decides that the company likely needs to refer the case to law enforcement, but it also wants to bring a civil action against Janice. Which of the following statements is TRUE?

A. ACME may pursue a civil action against Janice even if she is involved in criminal action brought by law enforcement if the jurisdiction permits parallel proceedings.

B. ACME must refer the case to law enforcement for potential criminal action and cannot pursue a civil action.

C. ACME may file a civil action only if law enforcement reviews the case and decides not to pursue criminal action against Janice for misappropriating company funds.

D. ACME must file a civil action prior to referring the case to law enforcement for potential criminal action.

ANSWER: A

Explanation:

ACME may pursue a civil action against Janice even if she is involved in criminal action brought by law enforcement if the jurisdiction permits parallel proceedings. The alleged misappropriation can create distinct criminal and civil consequences. Law enforcement and prosecutors decide whether to investigate and bring criminal charges on behalf of the government, while ACME, as the alleged victim, may seek its own civil remedies, such as recovery of misappropriated funds, damages, restitution where available, or other appropriate relief. A criminal referral therefore does not ordinarily eliminate the company's independent right to sue.

When civil and criminal matters concern the same conduct, they may proceed at the same time, subject to the court's and jurisdiction's procedural rules. Courts can manage parallel proceedings where necessary, including by staying or sequencing discovery to protect a criminal investigation, avoid unfair prejudice, or address a party's privilege against self-incrimination. Those case-management issues do not change the fundamental principle that civil liability and criminal liability are separate legal tracks with different parties, objectives, burdens of proof, and remedies. See the U.S. Department of Justice's discussion of parallel proceedings and the ACFE's fraud resources.

QUESTION NO: 17

Which of the following is the MOST ACCURATE statement about how fraud examiners shook! approach fraud examinations?

A. Fraud examinations should begin with general information that is known, starting at the periphery, and then move to the more specific details.

B. When conducting fraud examinations, fraud examiners should adhere to the means-and-ends approach

C. When conducting fraud examinations, fraud examiners should operate under the assumption that the subjects are guilty

D. In most examinations, fraud examiners should interview those who are more involved in the matters at issue before interviewing those who are less involved.

ANSWER: A

Explanation:

“Fraud examinations should begin with general information that is known, starting at the periphery, and then move to the more specific details.” accurately states the general-to-specific approach used in fraud examinations. An examiner initially develops an understanding of the allegation, relevant business processes, available records, potential witnesses, and the circumstances surrounding the matter. This preliminary, broad work helps identify relationships, anomalies, and lines of inquiry that can be tested through progressively more focused document review, analysis, and interviews. Proceeding from the periphery toward the central issue supports an objective and orderly examination because evidence—not an untested conclusion—guides the next investigative step. It also helps preserve the examiner’s ability to adjust the scope as new facts emerge, while documenting a reasonable basis for investigative decisions. This approach is consistent with the professional discipline expected of Certified Fraud Examiners: investigations should be planned, evidence-driven, and conducted with due regard for integrity and professional competence. The ACFE’s professional standards emphasize these ethical responsibilities; see the ACFE Code of Ethics. Additional ACFE fraud-examination resources are available through the ACFE Fraud Resources page.

QUESTION NO: 18

Noah, a U.S. resident, runs a fraud operation that targets accountants at several U.S. companies across multiple states. Noah sends phishing emails in an effort to steal the accountants’ log-in credentials so that he can remotely access corporate accounts and transfer funds to bank accounts that he controls. If the U.S. government prosecutes Noah, which of the following frauds would MOST LIKELY be the basis for the charges?

A. Mail fraud

B. Communications fraud

C. Wire fraud

D. Interstate fraud

ANSWER: C

Explanation:

Wire fraud is the most likely basis for the charges because the described scheme depends on electronic communications and interstate wire transmissions to obtain money through deception. Under 18 U.S.C. § 1343, wire fraud involves a scheme to defraud or obtain money or property by false or fraudulent means, together with use of interstate wire, radio, or television communications for the purpose of executing the scheme. Noah’s phishing emails are electronic communications used to induce victims to disclose credentials. His remote access to corporate accounts and electronic transfers to bank accounts he controls are further wire-based acts that advance the scheme and seek to obtain company funds. The fact pattern also expressly identifies victims in multiple states, reinforcing the interstate character of the communications and transactions. Prosecutors need not show that every communication itself contained a false statement; it is sufficient that a qualifying interstate wire communication was used in furtherance of the fraudulent scheme. The statutory text is available at 18 U.S.C. § 1343. The U.S. Department of Justice also describes wire fraud as schemes using interstate wire communications, including electronic means, at DOJ Criminal Resource Manual § 941.

QUESTION NO: 19

A company files a civil lawsuit against one of its directors for insider trading. At the end of the trial, a court orders the director to refrain from purchasing or obtaining the stock of a particular corporation. Which of the following BEST describes this type of remedy?

A. Punitive damages

B. Declaratory relief

C. Injunction

D. Monetary relief

ANSWER: C

Explanation:

Injunction is correct because it is an equitable court order that directs a party to do, or to refrain from doing, a specified act. Here, the director is ordered not to purchase or otherwise obtain a particular corporation's stock. That is a prohibitory injunction: it restrains future conduct rather than awarding compensation for a past loss. Because the order is issued at the conclusion of the trial, it is most accurately understood as permanent injunctive relief, meaning the restriction remains in force under the terms set by the court unless it is later modified or dissolved. Injunctions are particularly useful in civil fraud and securities-related matters when preventing a recurrence of harmful or unlawful conduct is necessary. In securities enforcement, courts may impose injunctions to prohibit future violations of securities laws or specified conduct connected with the misconduct. The Legal Information Institute defines an injunction as a court order requiring a person to do or cease doing a specific action: https://www.law.cornell.edu/wex/injunction. The U.S. Securities and Exchange Commission also identifies injunctions as an enforcement remedy sought in federal court actions: https://www.sec.gov/enforcement-litigation.

QUESTION NO: 20

Which of the following is the MOST APPROPRIATE way to document information obtained from social media sites?

A. Save links of the social media postings and pages in a web browser.

B. Request a copy of the information from the social media platforms.

C. Conduct a forensic shutdown of a computer to preserve the metadata from the social media sites and profiles visited.

D. Download and preserve the information from the social media sites so that it can be established as authentic if used in court.

ANSWER: D

Explanation:

Download and preserve the information from the social media sites so that it can be established as authentic if used in court. This approach creates a retained evidentiary record rather than relying on content remaining available at a particular online location. Social-media material can be edited, deleted, made private, or otherwise changed quickly; preserving it promptly helps capture what the investigator observed at the relevant time.

A sound preservation process should retain the content in its original available form and document important contextual details, such as the account identifier, full URL, date and time of collection, collector, and the method or tool used. Where feasible, the investigator should preserve associated metadata and use integrity controls, such as hashes and secure evidence storage, to support a reliable chain of custody. These practices help a witness explain that the preserved material accurately reflects the online content collected and that it was not altered afterward. The National Institute of Standards and Technology's digital-evidence guidance emphasizes preserving evidence integrity and documenting handling, while the Federal Rules of Evidence address authentication of electronic evidence. See NIST, Guide to Integrating Forensic Techniques into Incident Response and Federal Rule of Evidence 901.

QUESTION NO: 21

Which of the following situations would probably NOT require access to nonpublic records to develop evidence?

A. Obtaining personal health care records

B. Accessing banking records to trace assets

C. Reviewing a company's business filings

D. Analyzing an individual's personal mobile phone records

ANSWER: C

Explanation:

Reviewing a company's business filings would probably not require access to nonpublic records because many core entity-formation and corporate-disclosure documents are maintained in public registries. Depending on the jurisdiction and entity type, an examiner can commonly obtain articles or certificates of incorporation, registration information, registered-agent details, annual reports, and similar filings directly from a state, provincial, or national business-entity registry. Public-company filings can also provide useful evidence concerning ownership, officers, financial condition, transactions, and governance. For example, the U.S. Securities and Exchange Commission makes many issuer submissions available through its EDGAR database, including registration statements and periodic reports, at https://www.sec.gov/edgar/search-and-access. The examiner should preserve the source, retrieval date, document identifier, and relevant metadata so the material can be authenticated and its provenance explained later. The precise documents available publicly vary by jurisdiction, and a record that is public in one location may be restricted elsewhere. Nevertheless, business filings are ordinarily an appropriate starting point for developing leads and documentary evidence without subpoenas, releases, court orders, or other mechanisms used to obtain protected personal or financial information. The National Association of Secretaries of State provides links to U.S. state business-search resources at https://www.nass.org/can-i-vote/state-election-officials.

QUESTION NO: 22

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:

Accessibility is correct because a person concealing assets commonly wants to preserve the practical ability to use, move, direct, or recover the concealed value when needed. Concealment is not ordinarily an end in itself; the asset hider generally seeks to place legal title, account ownership, or other visible indicia of ownership at a distance from themselves while maintaining effective control over the funds or property. Financial vehicles such as nominee-held accounts, trusts, shell entities, layered ownership structures, and certain investment arrangements can be attractive when they help separate apparent ownership from beneficial control without making the assets impossible for the hider to reach. This need for continuing access helps investigators focus on indicators of beneficial ownership and control, including authority to direct transactions, receive distributions, appoint fiduciaries, or otherwise influence the vehicle. The Financial Action Task Force emphasizes the importance of identifying the natural persons who ultimately own or control legal persons and arrangements, a central issue in tracing concealed assets. See FATF Recommendations and the U.S. Financial Crimes Enforcement Network beneficial ownership information overview.

QUESTION NO: 23

During a fraud examination, Omar receives a spreadsheet from the accounts-payable manager that purports to show all payments made to a suspect vendor. The spreadsheet was manually prepared for the examination, and no source records are attached. What is the BEST method for Omar to establish the reliability of the information before relying on it in his report?

A. Reconcile the spreadsheet to underlying accounting records and supporting payment documents.

B. Obtain a signed statement from the manager confirming that the spreadsheet is accurate.

C. Test only the payments that exceed the organization's normal approval threshold.

D. Include the spreadsheet in the report because it was provided by the accounts-payable manager.

ANSWER: A

Explanation:

Omar should reconcile the spreadsheet to underlying accounting-system records and supporting payment documentation. A manually prepared summary can be useful for organizing information, but it is not independently reliable merely because a manager provided it. Testing it against source data, such as the accounts-payable ledger, invoices, purchase orders, approval records, and bank-payment records, helps determine whether it is complete and accurate.

Obtaining a signed statement from the manager might identify who prepared the spreadsheet, but it does not verify that the entries accurately represent the underlying transactions. Limiting the review to unusually large payments can miss omissions, duplicate entries, or other errors affecting the population. Including the spreadsheet in a report without validation would improperly treat a derivative workpaper as if it were the original evidentiary source.

QUESTION NO: 24

Bob owns a struggling business called Luxury Rentals that has ten luxury vehicles. A week before Luxury Rentals files for bankruptcy, Bob transfers ownership of one of the vehicles to his wife. Which type of fraud scheme has Bob most likely committed?

A. A fraudulent conveyance

B. A fraudulent bankruptcy

C. A concealed transfer

D. A planned bustout

ANSWER: A

Explanation:

A fraudulent conveyance is the correct classification because the facts describe a transfer of valuable property to an insider immediately before a bankruptcy filing, under circumstances indicating that the asset may be placed beyond the reach of creditors. In fraud examinations, fraudulent conveyances commonly involve a debtor moving assets to relatives, friends, affiliated entities, or other parties while facing financial distress, collection pressure, or insolvency. The central concern is the purpose and effect of the transfer: hindering, delaying, or defrauding creditors, or transferring property for less than reasonably equivalent value while insolvent.

The timing is a significant badge of fraud. A transfer just one week before bankruptcy, coupled with the recipient's close relationship to Bob, supports an inference that the vehicle was removed from the assets available to satisfy creditor claims. Under U.S. bankruptcy law, certain transfers made before a petition may be avoided when they are actually intended to hinder, delay, or defraud creditors, or meet specified constructive-fraud conditions. See 11 U.S.C. § 548. The same principle is reflected in the Uniform Voidable Transactions Act, which identifies transfers to insiders and transfers made shortly before substantial debt-related events as relevant indicators of voidability: Uniform Voidable Transactions Act.

QUESTION NO: 25

A prosecutor filed criminal charges against Rosa calming that she stole Juan ' s personal information and sold his identity on the dark web Juan wants to file a civil lawsuit against Rosa to recover damages arising from the identity theft Can Juan file the civil action before the criminal action against Rosa is completed?

A. Yes, the civil action can be filed if the jurisdiction permits parallel proceedings.

B. No, the civil action cannot be filed if the jurisdiction prohibits counterclaims.

C. Yes, the civil action can be filed if the jurisdiction permits analogous cairns.

D. No, the civil action cannot be filed if the jurisdiction prohibits double jeopardy.

ANSWER: A

Explanation:

Yes, the civil action can be filed if the jurisdiction permits parallel proceedings. Criminal and civil matters generally serve distinct purposes and are brought by different parties: the government prosecutes an alleged offense to enforce criminal law, while an injured person seeks compensation or other civil remedies for harm suffered. Consequently, the filing or pendency of criminal charges does not ordinarily eliminate the victim's ability to assert an otherwise valid civil claim arising from the same conduct. A civil lawsuit may seek damages associated with identity theft, such as financial losses, costs of remediation, and other relief available under the governing law.

Whether both cases proceed at exactly the same time is governed by the applicable jurisdiction's procedural rules and the court's discretion. For example, a court can manage discovery or grant a stay in a civil case when necessary to protect fairness, privilege rights, or the integrity of the criminal investigation. Those case-management issues do not change the core principle that parallel civil and criminal proceedings may be available. The U.S. Department of Justice recognizes that parallel criminal, civil, regulatory, and administrative proceedings can arise from the same underlying conduct. See DOJ Justice Manual: Coordination of Parallel Proceedings and DOJ Criminal Division: Parallel Proceedings.

QUESTION NO: 26

Which of the following terms BEST describes the process or methodology of resolving allegations of fraud from inception to disposition, as well as assisting in the prevention and detection of fraud?

A. Fraud response.

B. Fraud deterrence.

C. Fraud management.

D. Fraud examination.

ANSWER: D

Explanation:

Fraud examination is the correct term because it encompasses the systematic process of addressing suspected fraud or fraud allegations from their initial identification through final resolution or disposition. The ACFE defines fraud examination as a methodology for resolving fraud allegations by obtaining and analyzing evidence, evaluating facts, drawing conclusions, preparing reports, and, where required, communicating findings through testimony. It is not limited to proving a loss or identifying a perpetrator; it is an objective, evidence-based process designed to establish what occurred and support an appropriate organizational or legal response.

Importantly, fraud examination also supports prevention and detection. Information developed during examinations can identify control weaknesses, behavioral or transactional red flags, and risk conditions that should be remediated to reduce future exposure. This makes fraud examination a core part of an effective anti-fraud program, linking investigative work with improvements in controls and fraud-risk management. The ACFE describes the fraud examination process and its role in resolving allegations in its professional resources and body of knowledge. See the ACFE overview of fraud and the ACFE Fraud Examiners Manual.

QUESTION NO: 27

Which of the following statements is MOST ACCURATE regarding cross-examination of witnesses in adversarial jurisdictions?

A. Opposing counsel is mostly concerned with establishing background information.

B. The primary purpose of cross-examination is for opposing counsel to uncover new information about the case.

C. If opposing counsel asks a complex question, the witness should avoid the question and talk about something else.

D. Opposing counsel will attempt to make witnesses contradict former statements.

ANSWER: D

Explanation:

Opposing counsel will attempt to make witnesses contradict former statements. In an adversarial proceeding, cross-examination is a principal method for testing the reliability, accuracy, perception, memory, and credibility of testimony already offered. A cross-examiner may use a witness's prior interview, deposition, written report, sworn statement, or earlier trial testimony to establish an inconsistency. Demonstrating a material contradiction can impeach the witness's credibility and assist the fact-finder in assessing how much weight, if any, to give the testimony. This approach also helps ensure that testimony is subjected to meaningful adversarial testing rather than accepted without challenge. For fraud examiners serving as witnesses, thorough preparation includes reviewing prior statements and workpapers, understanding the basis for each opinion or factual assertion, and answering truthfully and precisely if confronted with an apparent inconsistency. The legal framework recognizes cross-examination as an important safeguard for evaluating testimonial evidence; the U.S. Supreme Court has described it as the "greatest legal engine ever invented for the discovery of truth." See Cornell Law School's Sixth Amendment overview and Justia's text of Mattox v. United States.

QUESTION NO: 28

An employee at XYZ Company applies for a loan at a local bank on the company's behalf and falsifies financial information without management's knowledge. The bank grants the loan based on the fraudulent numbers. When XYZ Company fails to repay the loan, the bank files a civil suit against the company and trial proceedings commence. Assuming that XYZ Company operates in a civil law jurisdiction, when would the company's duty to preserve evidence begin in this situation?

A. When the trial proceedings commence and the court instructs the parties to retain items.

B. When the employee completes the fraudulent application.

C. When the loan is granted based on the fraudulent numbers.

D. When XYZ Company fails to repay the loan and the bank suffers a loss.

ANSWER: A

Explanation:

When the trial proceedings commence and the court instructs the parties to retain items is correct because civil-law procedure generally gives the court a more active role in identifying, obtaining, and directing production of evidence. Unlike the broad, party-driven discovery model commonly associated with common-law litigation, civil-law systems do not ordinarily impose the same expansive prelitigation obligation on a party to preserve every potentially relevant item merely because a dispute might arise. The preservation obligation in this setting becomes operative through the formal judicial process: once proceedings are underway, the court can direct the parties to retain, produce, or make available specified evidence relevant to the dispute. The company must then comply with that instruction and ensure that responsive records, including loan-application materials, underlying financial records, and communications, are not destroyed or altered. This distinction is important for fraud examiners handling cross-border matters because evidence-preservation expectations must be assessed under the applicable procedural system, not assumed from common-law discovery practices. The ACFE discusses legal and investigative considerations for fraud professionals in its Anti-Fraud Resource Guide. Comparative civil-procedure materials from the UNIDROIT Principles of Transnational Civil Procedure also describe the court's central role in managing evidence.

QUESTION NO: 29

Which of the following statements is TRUE regarding criminal proceedings and discovery in adversarial jurisdictions?

A. Most criminal proceedings are divided into pretrial, investigative and trial phases

B. Parties typically cannot request evidence from each other until after the trial begins.

C. The majority of criminal discovery usually occurs before the trial begins.

D. The judge is the primary driver of the discovery process in criminal proceedings.

ANSWER: C

Explanation:

The majority of criminal discovery usually occurs before the trial begins. In an adversarial criminal justice system, the prosecution and defense prepare and present their respective cases, and pretrial discovery is essential to that preparation. Before trial, prosecutors generally must disclose material information and evidence to the defense, including exculpatory or impeachment material when required by constitutional due-process principles. Discovery procedures also commonly allow the parties to identify witnesses, review reports and physical evidence, litigate disclosure issues, and make informed decisions about motions, pleas, and trial strategy. Although discovery obligations and timing differ by jurisdiction, the central purpose is to ensure that relevant evidence is available sufficiently before trial for the parties to investigate and prepare. The U.S. Department of Justice's Justice Manual describes prosecutors' disclosure responsibilities and emphasizes timely disclosure so defendants can make effective use of information. Similarly, Rule 16 of the Federal Rules of Criminal Procedure establishes pretrial discovery and inspection procedures in federal criminal cases. These principles reflect the party-driven nature of adversarial proceedings: the court resolves disputes and supervises compliance, but discovery principally supports the opposing parties' preparation before the evidentiary trial phase begins. See the U.S. Department of Justice Justice Manual on disclosure and discovery and Federal Rule of Criminal Procedure 16.

QUESTION NO: 30

Which of the following would be direct evidence that the criminal defendant a former cashier for a home improvement store committed a cash larceny scheme that resulted in the theft of more than $5 000 from the store?

A. A diagram is used to display the location of the store ' s registers

B. A witness testifies that they saw the defendant take the money

C. A witness testifies that the defendant was almost always the last cashier to leave the store

D. A coworker testifies that the defendant was acting nervously the day the money was taken

ANSWER: B

Explanation:

"A witness testifies that they saw the defendant take the money" is direct evidence because, if believed, the testimony establishes the central fact at issue—the defendant's taking of the store's cash—without requiring the fact finder to infer that act from surrounding circumstances. Direct evidence can include eyewitness testimony about an event personally observed; it is not limited to physical or documentary evidence. In a criminal cash-larceny prosecution, a witness who personally observed the former cashier take money provides evidence based on firsthand perception of the alleged criminal conduct. The prosecution must still satisfy its burden of proving guilt beyond a reasonable doubt, and the fact finder evaluates the witness's credibility, opportunity to observe, memory, and consistency. Nevertheless, the nature of the evidence remains direct because it describes the theft itself rather than a circumstance from which theft might be inferred. This distinction is important for fraud examiners when organizing case evidence and preparing investigative reports or testimony: evidence should be characterized accurately according to whether it directly proves a material fact or supports an inference about that fact. See the Legal Information Institute's definition of direct evidence and the U.S. Courts model jury instruction on direct and circumstantial evidence.

QUESTION NO: 31

Which of the following is the MOST ACCURATE statement about the UK Bribery Act?

A. Like the FCPA the UK Bribery Act contains an explicit exception for facilitating payments

B. Even if an organization ' s anti-corruption program complies with the FCPA, it might not be sufficient for the purpose of complying with the UK Bribery Act

C. Unlike the FCP

D. The UK Bribery Act only exercises jurisdiction over individuals and corporate entities for acts of corruption when the offense occurs outside the United Kingdom

ANSWER: B

Explanation:

Even if an organization ' s anti-corruption program complies with the FCPA, it might not be sufficient for the purpose of complying with the UK Bribery Act. The two statutes have important differences in both their scope and compliance expectations. A program designed principally for Foreign Corrupt Practices Act compliance may focus on bribery of foreign public officials in connection with obtaining or retaining business. By contrast, the UK Bribery Act 2010 reaches bribery in both public and private sectors, addresses both the giving and receiving of bribes, and creates a corporate offense where a commercial organization fails to prevent bribery by associated persons acting for its benefit. For that corporate offense, an organization's principal statutory defense is to show that it had "adequate procedures" designed to prevent bribery. The Ministry of Justice guidance identifies six principles relevant to such procedures, including proportionate procedures, top-level commitment, risk assessment, due diligence, communication and training, and monitoring and review. Therefore, FCPA-oriented controls can be a useful foundation, but an organization must assess and enhance them against the distinct risks and requirements of the UK regime. See the UK Bribery Act 2010 and the UK Ministry of Justice's Bribery Act guidance.

QUESTION NO: 32

If Mary uses legal means to lower her tax bill through legitimate deductions and credits, then she is engaging in tax evasion.

A. True

B. False

ANSWER: B

Explanation:

False is correct because using legitimate deductions and credits permitted by tax law is tax avoidance, not tax evasion. Tax avoidance means arranging one's financial affairs within the law to reduce a tax liability, such as claiming credits, deductions, exclusions, or other benefits for which the taxpayer qualifies. The decisive fact is that Mary uses legal means and legitimate provisions; this reflects compliance with the tax system's rules rather than a fraudulent effort to defeat them.

Tax evasion, by contrast, involves willful unlawful conduct intended to evade assessment or payment of tax. It can include such conduct as concealing income, maintaining false records, making false statements, or otherwise intentionally misrepresenting material facts to tax authorities. A fraud examiner assessing potential tax misconduct must distinguish lawful tax planning from acts involving deceit or concealment. In this scenario, there is no indication that Mary misstated facts, hid income, or made a fraudulent claim. Her lawful use of available deductions and credits therefore constitutes tax avoidance. The Internal Revenue Service explains taxpayers' rights and responsibilities regarding tax compliance at https://www.irs.gov/taxpayer-bill-of-rights, and federal law addressing willful tax evasion appears at 26 U.S.C. § 7201.

QUESTION NO: 33

Company A sued Company B to recover damages tor the breach of a contract. In the same proceeding Company B sought damages for an allegation that Company A fraudulently induced Company B into entering the contract In this case what would Company B ' s claim against Company A be called?

A. Cross-claim

B. Collateral attack

C. Reversal

D. Counterclaim

ANSWER: D

Explanation:

Counterclaim is correct because it is a claim asserted by a defending party against the party that brought the lawsuit, within the same legal action. Here, Company A initiated the case by alleging that Company B breached the contract. Company B, as the defendant, responds by seeking its own damages from Company A based on alleged fraudulent inducement into that same contract. This makes Company B’s pleading a counterclaim. A counterclaim can seek affirmative relief rather than merely deny liability, and it enables the court to resolve related claims between the same parties efficiently in one proceeding. Under the Federal Rules of Civil Procedure, a counterclaim is compulsory when it arises out of the transaction or occurrence that is the subject matter of the opposing party’s claim; otherwise, it may be permissive. Because the alleged fraudulent inducement concerns formation of the very contract on which Company A bases its breach claim, it is closely connected to the same transaction and would generally be treated as a compulsory counterclaim in federal practice. See Federal Rule of Civil Procedure 13 at Cornell Law School’s Legal Information Institute and the Federal Rules of Civil Procedure published by the U.S. Courts.

QUESTION NO: 34

Allison, a Certified Fraud Examiner (CFE). is investigating a potential procurement fraud scheme. While interviewing a subject, she asks. " Why did you choose to do business with that vendor? " This can BEST be described as a(n):

A. Open question

B. Complex question

C. Leading question

D. Closed question

ANSWER: A

Explanation:

“Open question” is correct because it invites the subject to provide a narrative explanation in their own words rather than limiting the response to a predetermined answer. The wording, “Why did you choose to do business with that vendor?” asks the interviewee to describe the decision-making process, reasons for selecting the vendor, and potentially relevant surrounding facts. In a procurement-fraud inquiry, this type of question is particularly useful early in an interview because the response can reveal who participated in vendor selection, what criteria were supposedly applied, whether normal approval procedures were followed, and whether the subject volunteers information that warrants follow-up. Effective fraud interviews commonly begin with broad, nonaccusatory questions to establish facts and allow the interviewer to assess the subject’s knowledge, language, and demeanor before narrowing the inquiry. The question does not suggest a desired response or embed an allegation; instead, it leaves the substance and scope of the answer to the subject. The interviewer can then use details from that narrative to ask more focused questions and compare the account with procurement records, communications, and vendor due-diligence evidence. ACFE resources address interview methodology and fraud examination practices in the Fraud Examiners Manual and its interviewing techniques training.

QUESTION NO: 35

Which of the following statements concerning alternative remittance systems is INCORRECT?

A. The systems are not necessarily illegal.

B. Funds are sent and received without the use of traditional financial institutions.

C. The systems are characterized by a lack of physical or digital transfer of currency between payers and payees.

D. The ledgers used typically contain information regarding payers and payees, such as names and account numbers.

ANSWER: D

Explanation:

The statement “The ledgers used typically contain information regarding payers and payees, such as names and account numbers.” is incorrect. Alternative remittance systems, often called informal value transfer systems (IVTS) and including hawala-type arrangements, move value through networks of brokers who settle obligations among themselves rather than through a conventional bank-to-bank payment trail. Recordkeeping, when it exists, is commonly informal, limited, coded, or based on information meaningful only to the participating brokers. It therefore does not typically resemble a financial institution’s customer and account records, with verified payer and payee names and account numbers. The degree of documentation can vary by network, jurisdiction, and whether the provider is regulated, but limited transparency and nonstandard records are central investigative challenges in these systems. FinCEN describes IVTS as systems that transfer value outside conventional financial institutions and notes their potential use of informal documentation. FATF likewise identifies money or value transfer services as activities that require risk-based oversight, including customer due diligence and recordkeeping controls where regulated. See FinCEN’s guidance on informal value transfer systems and FATF Recommendations.

QUESTION NO: 36

Nina is conducting an internal investigation of suspected expense-report fraud. A supervisor tells Nina that another employee said the subject had admitted submitting personal expenses for reimbursement. The employee who allegedly heard the admission is available to be interviewed. What should Nina do?

A. Interview the employee who allegedly heard the subject’s admission.

B. Accept the supervisor’s statement as proof that the subject admitted the misconduct.

C. Confront the subject immediately and require an explanation of the reported admission.

D. Exclude the information from the examination because a supervisor reported it secondhand.

ANSWER: A

Explanation:

Nina should interview the employee who allegedly heard the admission and obtain that person’s direct account. The supervisor’s statement is secondhand information and can provide an investigative lead, but it is not the best available evidence of what the subject actually said. Interviewing the firsthand witness enables Nina to determine the precise words used, the context of the statement, when and where it was made, whether anyone else was present, and whether the witness has any reason to misunderstand or misremember the event.

Nina should not treat the supervisor’s account as proof of an admission simply because it came from a management employee. Nor should she confront the subject immediately on the basis of an unverified report, because doing so might disclose information prematurely and impair the investigation. The direct witness’s account should then be corroborated, where possible, through expense records and other evidence.

QUESTION NO: 37

Which of the following statements concerning fact finders in criminal trials in common law jurisdictions is MOST ACCURATE?

A. The presence of a jury is always required to make factual findings in a common law criminal trial

B. A panel of a professional judge and lay judges usually serves as the fact finder in serious cases

C. A judge is typically responsible for factual findings

D. Juries usually serve as the fact finder in serious cases

ANSWER: D

Explanation:

“Juries usually serve as the fact finder in serious cases” is the most accurate statement. A central feature of common law criminal procedure is the division of functions between the judge and the jury in cases tried before a jury. The judge manages legal issues, rules on the admissibility of evidence, instructs the jury on the applicable law, and safeguards the fairness of the proceeding. The jury, as the trier of fact, evaluates witness credibility, weighs the admitted evidence, and determines whether the prosecution has proved the accused’s guilt under the required standard of proof. Although procedures and the availability of jury trials differ among common law jurisdictions, jury fact-finding is especially associated with serious criminal charges. For example, the U.S. Constitution protects the right to jury trial in criminal prosecutions, and the United Kingdom’s Crown Court uses juries for indictable offences. Fraud examiners should recognize this allocation because investigative reports and testimony may be scrutinized by lay jurors who decide the factual issues, while the court determines and applies the governing legal rules. See the Sixth Amendment, Constitution Annotated and the UK Courts and Tribunals Judiciary’s overview of Crown Court proceedings.

QUESTION NO: 38

A company stores chemical waste from manufacturing in a warehouse near an individual’s residence. The resident files a civil lawsuit against the company and prevails at trial. As part of the court’s judgment, the company is ordered to remove the waste and is prevented from storing the waste in that location. Which of the following options BEST describes this type of remedy?

A. Damages

B. Punitive relief

C. Injunction

D. Declaratory relief

ANSWER: C

Explanation:

Injunction is correct because it is an equitable court remedy directing a party to take specified action or refrain from specified conduct. The order here has both forms: it affirmatively requires the company to remove the chemical waste, and it prohibits the company from continuing to store waste at that location. These requirements address an ongoing or threatened harm near the resident’s home and provide practical relief beyond a monetary payment. Courts may issue injunctive relief when money alone is inadequate to protect the claimant’s interests, particularly where continuing conduct could cause recurrent injury or create a public-health or environmental risk. In this setting, the court’s judgment is enforceable as a command governing the company’s future conduct and requiring remediation of the existing condition. This is the classic purpose of an injunction: preventing or stopping harmful activity while, where appropriate, compelling corrective action. The Legal Information Institute describes an injunction as a court order requiring a person to do or cease doing a specific action: Cornell Law School, Injunction. Federal Rule of Civil Procedure 65 also governs injunctions and restraining orders in federal civil proceedings: Federal Rule of Civil Procedure 65.

QUESTION NO: 39

Under the Financial Action Task Force (FATF) Recommendations, a financial institution ' s customer due diligence (CDD) procedures involve a single check on the customer ' s business relationships and transactions.

A. True

B. False

ANSWER: B

Explanation:

False is correct because FATF customer due diligence is an ongoing, risk-based process, not a one-time or "single" check. Under Recommendation 10, financial institutions must identify and verify the customer's identity, identify beneficial owners where applicable, understand the purpose and intended nature of the business relationship, and conduct ongoing due diligence throughout that relationship. Ongoing monitoring includes scrutinizing transactions to ensure that they are consistent with the institution's knowledge of the customer, the customer's business and risk profile, and, where necessary, the source of funds. Institutions also must keep customer due-diligence information current through review of existing records, particularly for higher-risk customers or where relevant circumstances change. This continuing obligation enables institutions to identify unusual activity and respond appropriately when transaction patterns, ownership, or customer circumstances no longer align with the established profile. FATF's interpretive note to Recommendation 10 expressly describes ongoing due diligence and transaction scrutiny as core CDD measures. See the FATF Recommendations and the FATF Recommendations PDF.

QUESTION NO: 40

According to the Organisation for Economic Co-operation and Development's OECD Recommendation on Combating Bribery in International Business, member states are encouraged to combat the bribery of foreign public officials by improving which of the following primary areas within their respective infrastructures?

A. Initiatives related to stronger data protection

B. Criminal, civil, commercial, and administrative laws

C. E-commerce business practices and regulations

D. Regulations related to the public's health and safety

ANSWER: B

Explanation:

Criminal, civil, commercial, and administrative laws is correct because the OECD's anti-bribery framework calls on states to strengthen the legal and institutional mechanisms used to prevent, detect, investigate, and sanction bribery of foreign public officials in international business transactions. A credible anti-bribery system begins with criminal laws that clearly prohibit the conduct and provide effective, proportionate, and dissuasive sanctions. However, enforcement also depends on connected civil, commercial, and administrative rules, including corporate accountability, accounting and recordkeeping requirements, audit-related controls, and procedures that allow authorities to investigate and impose consequences effectively.

The OECD Recommendation is directed at improving the overall domestic legal infrastructure needed to make foreign bribery prohibitions meaningful in practice, rather than treating bribery solely as an issue of voluntary business ethics. This coordinated legal approach supports transparency in commercial activity, preserves evidence of improper payments, and enables appropriate enforcement against both individuals and legal entities. The OECD subsequently built on these principles through its binding Anti-Bribery Convention and continuing implementation guidance. See the OECD's Recommendation on Combating Bribery in International Business Transactions and its anti-bribery and corruption resources.

QUESTION NO: 41

Javier, a fraud examiner, is investigating an alleged embezzlement scheme at a local manufacturer. Which of the following steps should Javier take to prepare for the interview phase of his investigation?

A. Javier should review the case file beforehand to ensure that important information has not been overlooked.

B. Javier should refrain from determining the interview's purpose in advance to avoid showing attention to a particular topic.

C. Javier should ask the same member of his investigation team to conduct each interview to ensure consistency.

D. Javier should ensure that the interview is held in a venue where the subject will feel most comfortable, such as their home.

ANSWER: A

Explanation:

Javier should review the case file beforehand to ensure that important information has not been overlooked. Effective fraud interviews are planned investigative activities, not simply conversations. Reviewing the file allows the examiner to organize the known facts, identify evidentiary gaps, distinguish confirmed information from allegations, and determine what information each prospective witness might be able to provide. This preparation also supports development of an interview plan that identifies the interview's objective, the appropriate sequencing of witnesses, relevant documents or records to use during questioning, and topics requiring clarification. A well-informed examiner can formulate questions that seek useful facts while remaining flexible enough to pursue new information disclosed during the interview. Reviewing the file also helps prevent needless repetition, reduces the risk of overlooking significant leads, and enables the examiner to assess how the expected testimony relates to the overall embezzlement theory. The ACFE's Fraud Examiners Manual addresses the planning and conduct of fraud examinations, including interviewing considerations, at ACFE Fraud Examiners Manual. Additional ACFE fraud examination resources are available through the ACFE Fraud Resources page.

QUESTION NO: 42

During an investigation of suspected inventory theft, Camille has obtained inventory-adjustment records and plans to interview several warehouse employees, including the employee who is the primary subject. Which interview sequence is MOST appropriate?

A. Interview the primary subject first so that the subject's explanation can guide all later interviews.

B. Interview the relevant non-suspect witnesses before conducting the admission-seeking interview of the primary subject.

C. Interview all warehouse employees together to compare their responses in real time.

D. Interview the primary subject and the employee who reported the allegation at the same time.

ANSWER: B

Explanation:

Camille should generally interview the relevant non-suspect witnesses before conducting the admission-seeking interview of the primary subject. Beginning with employees who might have observed relevant events or who can explain normal procedures allows the examiner to develop facts, identify records requiring corroboration, and obtain independent accounts before the subject learns the scope of the evidence. The subject interview should ordinarily occur after the examiner has gathered and evaluated sufficient information to ask focused questions and assess the subject's explanations. Interviewing the subject first can reveal the investigation prematurely and create an opportunity to coordinate stories, conceal evidence, or influence other witnesses. Joint interviews likewise risk contaminating the independence of witness accounts.

QUESTION NO: 43

Which of the following terms refers to a process of resolving allegations of fraud from inception to disposition?

A. Forensic methodology

B. Fraud theory

C. Fraud assessment

D. Fraud examination

ANSWER: D

Explanation:

Fraud examination is the term used for the structured process of resolving indications or allegations of fraud from the initial reporting or discovery stage through final disposition. It is not limited to detecting suspicious conduct; it encompasses planning the examination, gathering and analyzing evidence, conducting interviews, documenting findings, quantifying losses where appropriate, preparing reports, and supporting management, legal counsel, or law enforcement as the matter is resolved. The process is designed to be timely, objective, and legally sound so that conclusions are based on relevant evidence and can be communicated clearly to the appropriate decision-makers. ACFE materials describe fraud examination as a methodology for resolving signs or allegations of fraud from inception to disposition and identify it as a core function of the anti-fraud professional. This broad end-to-end meaning is what distinguishes the term from narrower activities that may occur during an investigation, such as assessing risk or developing an initial theory. See the ACFE's overview of the CFE credential and fraud examination profession at https://www.acfe.com/cfe-credential and its resource library at https://www.acfe.com/fraud-resources.

QUESTION NO: 44

Which of the following is the MOST ACCURATE statement about the UK Bribery Act?

A. Like the FCPA the UK Bribery Act contains an explicit exception for facilitating payments

B. Even if an organization's anti-corruption program complies with the FCPA, it might not be sufficient for the purpose of complying with the UK Bribery Act

C. Unlike the FCPA. the UK Bribery Act makes it a crime to bribe a foreign public official in connection with international business transactions

D. The UK Bribery Act only exercises jurisdiction over individuals and corporate entities for acts of corruption when the offense occurs outside the United Kingdom

ANSWER: B

Explanation:

Even if an organization's anti-corruption program complies with the FCPA, it might not be sufficient for the purpose of complying with the UK Bribery Act. The UK Bribery Act 2010 has a broad scope and establishes a corporate offence for a commercial organisation that fails to prevent bribery by an associated person, unless the organisation can demonstrate that it had adequate procedures designed to prevent bribery. An organisation therefore needs controls tailored to the Act's requirements, including proportionate procedures, top-level commitment, risk assessment, due diligence, communication and training, and monitoring and review. A program developed solely around FCPA requirements might not address every risk relevant under the UK framework, particularly because UK guidance expects organisations to assess their own bribery risks and implement procedures proportionate to those risks. Compliance should be evaluated against the applicable statute and official guidance rather than assumed from compliance with another jurisdiction's anti-bribery regime. The statutory corporate offence appears in section 7 of the Bribery Act 2010, and the UK government's official guidance for commercial organisations explains the adequate-procedures framework.

QUESTION NO: 45

The MAIN PURPOSE for maintaining the chain of custody on an item of evidence is to

A. Establish that the evidence has not been altered or changed from the time it was collected through its production in court

B. Verify that the item of evidence has only been handled by court officials prior to its production m court.

C. event opposing parties from accessing evidence without a court order

D. Eliminate re need to authenticate the item of evidence in court

ANSWER: A

Explanation:

Establish that the evidence has not been altered or changed from the time it was collected through its production in court is correct because chain of custody documents the evidence’s continuous history of possession, handling, transfer, storage, and safeguarding. Each person who receives or transfers the item should be identifiable, and the record should show when the transfer occurred and how the item was protected. This documented sequence supports a finding that the item offered in a proceeding is the same item originally obtained and remains in substantially the same condition.

For fraud examinations, evidence may include original documents, digital media, devices, and other records that can be especially vulnerable to questions about substitution, alteration, or contamination. A complete chain helps establish the reliability and integrity of the evidence by providing an auditable account from collection through presentation. It is therefore an important component of laying a proper foundation for evidence and supporting its authenticity in legal proceedings. The U.S. Department of Justice explains that evidence-control procedures should preserve integrity and document custody, while the Federal Rules of Evidence address authentication through evidence sufficient to support that an item is what its proponent claims it is. See U.S. Department of Justice, Handling Evidence and Federal Rule of Evidence 901.

QUESTION NO: 46

Which of the following is FALSE regarding link analysis?

A. Link analysis is a poor tool to use for investigating a money laundering scheme

B. Link analysis can be used to map connections between entities that share an address

C. Link analysis helps identify indirect relationships with several degrees of separation

D. Link analysis is an effective tool for demonstrating complex networks

ANSWER: A

Explanation:

Link analysis is a poor tool to use for investigating a money laundering scheme is the false statement. Link analysis is a visual and analytical technique that organizes people, accounts, entities, transactions, addresses, telephone numbers, and other data points into a network. In a money laundering investigation, this capability is especially valuable because laundering commonly involves multiple intermediaries, related entities, and transaction paths designed to obscure the source, ownership, and destination of funds. By charting connections and tracing flows across records, an investigator can identify otherwise nonobvious relationships and develop a clearer view of the movement of funds through placement, layering, and integration activities.

Network visualization also helps an investigator communicate the structure of a complex financial scheme clearly to decision-makers, counsel, regulators, or a fact finder. It can guide additional investigative work by highlighting central participants, shared identifiers, and links that warrant corroboration through bank records, public records, interviews, or other evidence. The U.S. Financial Crimes Enforcement Network describes money laundering as a process involving the movement of illicit proceeds through the financial system, while ACFE materials recognize analytical techniques as important tools for uncovering fraud relationships and patterns. See FinCEN: What Is Money Laundering? and ACFE Fraud Resources.

QUESTION NO: 47

Beta, a Certified Fraud Examiner (CFE). is conducting an admission-seeking interview of Gamma, a fraud suspect. After Beta gave Gamma an appropriate rationalization for his conduct, Gamma continued his denials, giving various alibis. These alibis can usually be diffused by all of the following techniques EXCEPT:

A. Discussing the testimony of witnesses

B. Displaying physical evidence

C. Discussing Gamma's prior deceptions

D. Downplaying the strength of the evidence

ANSWER: D

Explanation:

Downplaying the strength of the evidence is the exception because an admission-seeking interviewer should address an alibi in a manner that makes the suspect recognize that the explanation is not likely to withstand the known facts. The interviewer's objective is to move beyond repeated denials by carefully and professionally confronting the account with credible, case-specific information. Reducing the apparent significance of the available evidence does not help establish the implausibility of the alibi or encourage the suspect to reassess the value of continuing to rely on it. Instead, it can leave the suspect with less reason to abandon the denial. A CFE should remain fact-based, preserve rapport, and use information obtained during the investigation strategically rather than exaggerating, inventing, or minimizing evidence. This approach is consistent with the Fraud Examiners Manual's treatment of fraud examinations and interviewing as disciplined, evidence-driven processes. See the ACFE Fraud Examiners Manual and ACFE's Fraud Resources for professional fraud-examination guidance.