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Question 1. (Single Select)

Which of the following is NOT true with regard to tracing the disposition of loan proceeds?

- A: Tracing loan proceeds can reveal previous civil offenses committed by the subject
- B: Tracing loan proceeds can determine if the proceeds were deposited into hidden accounts
- C: Tracing loan proceeds can uncover previously unknown witnesses
- D: Tracing loan proceeds can determine if hidden accounts were used for loan payments.

Correct Answer: A

Explanation:

From the 2014 International Fraud Examiners Manual, under the section related to tracing financial transactions, specifically tracing the disposition of loan proceeds, the following objectives of tracing activities are explicitly outlined:

“Tracing the disposition of loan proceeds can help fraud examiners:

Determine whether loan proceeds were deposited into hidden or unknown accounts

Determine whether loan proceeds were used to pay off other loans

Identify the involvement of previously unknown individuals (potential witnesses)

Determine whether payments were made from hidden accounts

Identify undisclosed related-party transactions”

There is no mention that tracing loan proceeds can uncover previous civil offenses committed by the subject. Civil offenses refer to non-criminal violations (e.g., breach of contract, torts), which tracing of financial transactions like loan proceeds is not directly designed to uncover.

This is not a recognized purpose of tracing as taught in the CFE Investigation section. The core objectives revolve around uncovering hidden assets, hidden accounts, payments, and potential witnesses — not prior legal infractions.

Therefore, the correct answer is A, as it is the only option that is NOT true according to official CFE investigation materials.

Question 2. (Single Select)

Anne used Will as a confidential informant in her investigation. Anne listed information provided by Will in her final report, referring to him using his initials. She paid Will in cash and obtained a receipt for the transaction. Which of Anne's methods was NOT considered a best practice when using informants?

- A: Referring to Will using his initials
- B: Obtaining a receipt from Will
- C: Using information provided by Will in her report
- D: Using cash to pay Will

Correct Answer: D

Explanation:

Best practices when working with confidential informants include documenting payments and identities in ways that protect anonymity but avoid risks. The Fraud Examiners Manual and CFE Prep emphasize avoiding cash payments because they reduce transparency and create audit trail problems. Paying in cash is therefore NOT considered a best practice, whereas using initials, obtaining receipts, and documenting informant information in reports can be acceptable methods.

Question 3. (Single Select)

Jan

a. the controller of XYZ Company, notices that the company's hotel expenses increased substantially from the prior year. She wants to check to see if this increase is reasonable by comparing hotel expenses from both years to the number of days XYZ's employees traveled. Which of the following data analysis functions would be the MOST USEFUL in helping Jana analyze these two variables?

- A: Correlation analysis
- B: Duplicate testing
- C: Verifying multiples of a number
- D: Benford's Law analysis

Correct Answer: A

Explanation:

The 2014 International Fraud Examiners Manual provides:

“Fraud examiners can use a correlation analysis to determine the relationships between different variables in raw data... For example, there should be a strong correlation between the independent and dependent variables because there is a direct relationship between them. Hotel costs should increase as the number of days travelled increases.”

CFE Prep – Investigations echoes this:

“Using the correlation analysis function, fraud examiners can determine the relationships between different variables in the raw data. For example... Hotel costs should increase as the number of days travelled increases.”

Thus, the most useful analysis is Correlation analysis.

Question 4. (Single Select)

When a fraud examiner is conducting an examination and is in the process of collecting documents, the fraud examiner should:

- A: Dust all physical key documents for fingerprints
- B: Establish a document database early in the investigation
- C: Make copies of originals and leave the originals where they were found
- D: Organize all the documents obtained in chronological order

Correct Answer: B

Explanation:

The Fraud Examiners Manual advises that fraud examiners should preserve and organize evidence, and one of the key steps is to establish a document database early. This allows examiners to track documents, index them, and link them to findings. Dusting for fingerprints, leaving originals behind, or organizing solely in chronological order are not standard best practices .

Question 5. (Single Select)

Which of the following is the LEAST ACCURATE statement about seizing a computer for examination?

- A: When taking a computer for examination, if the computer is off. it should remain off when it is removed.
- B: When seizing a computer that is running, it is acceptable for a fraud examiner to review the files contained on the machine prior to seizing it.
- C: Before removing a computer system from a scene for further analysis, it is important to document the system's setup with photographs or diagrams.
- D: When seizing a computer for examination, the seizing party should look around the area for passwords because many people leave passwords near their computers

Explanation:

The manual states:

“When seizing a computer that is running, the party seizing the system should not, in most situations, search the computer for evidence because doing so might damage and taint relevant evidence.”

Thus, B is the least accurate statement.

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