

Having an auditor ask employees questions such as, "Has anyone ever asked you to do anything that you felt was illegal or unethical?" can be an effective method of uncovering fraud within an organization.

- ☒ A. True
- ☐ B. False

✓ **CORRECT**

Fraud assessment questioning is a non-accusatory interview technique used as a part of a normal audit. It operates on the theory that employees' attitudes are a good indicator of potential problems and that one of the most effective ways to assess potential fraud is to ask about it. Examples of questions that can be used in this approach include the following:

- Part of my duty as an auditor is to find fraud, waste, and abuse. Do you understand that?
- Do you think fraud is a problem for business in general?
- Do you think this company has any particular problem with fraud?
- Has anyone ever asked you to do anything that you felt was illegal or unethical?
- If you felt that there was a problem in the company with respect to fraud, what would you do?
- Do you have any indication that there is fraud occurring in the company now?

See pages 4.603 in the Fraud Examiner's Manual

According to Diane Vaughan, encouraging employee loyalty through social interactions, such as company parties and social functions, can contribute to the organization being more inherently inclined to commit crime.

- ☒ A. True
- ☐ B. False

✓ **CORRECT**

Organizations can be criminogenic because they encourage loyalty. According to Diane Vaughan, the reasons are that:

- The organization tends to recruit and attract similar individuals.
- Rewards are given out to those who display characteristics of the "company man."
- Long-term loyalty is encouraged through company retirement and benefits.
- Loyalty is encouraged through social interaction, such as company parties and social functions.
- Frequent transfers and long working hours encourage isolation from other groups.
- Specialized job skills can discourage personnel from seeking employment elsewhere.

In addition, organizations are more inherently prone to committing crime when management links employees' needs and goals to the company's success through the use of formal and informal rewards and punishments, plus social activities and pressures to participate. When a company achieves its goals, its employees prosper. In short, the interests of an organization and its employees coincide, and that situation might set the stage for unlawful conduct by individuals on the organization's behalf.

See pages 4.218-4.219 in the Fraud Examiner's Manual