

Fraud Magazine CPE Quiz No. 87 (Vol. 23, No. 6)

1. **According to the article, "How Greed Started the Dominoes Falling":**
 - a. By 2008, Bear Stearns' risk management team, while taking home spectacular paychecks, had run up a \$3.5 billion company debt.
 - b. Prodded and aided by the federal government, Bear Stearns merged with Lehman Brothers.
 - c. Ralph Cioffi was charged with insider trading for taking \$2 million of his own money out of a hedge fund without informing investors.
 - d. One commentator noted that the five top executives of Bear Stearns paid themselves more than the entire roster of The New York Yankees.
2. **According to the article, "How Greed Started the Dominoes Falling":**
 - a. In September 2007, Fannie Mae and Freddie Mac were placed under the conservatorship of the Federal Reserve.
 - b. Fannie Mae and Freddie Mac, before their fall, either owned or had guaranteed \$1.4 trillion worth of mortgages or 40 percent of the entire total in the United States.
 - c. Ben Bernanke blamed the need for the takeover of Fannie Mae and Freddie Mac on a "flawed business model."
 - d. Fannie Mae and Freddie Mac were created during the 1950s.
3. **According to the article, "Being Ready for the Worst," resilient corporations take a three-pronged strategy to deal with the problem of fraud:**
 - a. They conduct thorough fraud risk assessments and periodically revisit them.
 - b. They put fraud prevention and detection strategies in place.
 - c. They develop response strategies to deal with the frauds they aren't able to prevent.
 - d. All of the above
4. **According to the article, "Being Ready for the Worst":**
 - a. The audit committee or a special committee of the board will likely have to handle cases of alleged fraud or corruption involving senior management or financial reporting.
 - b. Every allegation requires a full-blown investigation.
 - c. By some accounts, electronic data represents 82 percent of the information companies maintain.
 - d. Remote collection technologies can only be installed on high-end PCs.
5. **According to the article, "Arcane Accounting Rules Failed Us in Securitization Mess":**
 - a. Between 2004 and 2008, Countrywide originated \$112.5 billion of subprime loans.
 - b. Angelo Mozilo dumped more than \$350 million of his Countrywide shares.
 - c. In many securitizations, the assets are parsed so that the least senior tranche has the first right to virtually all the cash generated by the underlying assets that collateralize the security.
 - d. Some of the pernicious ramifications of securitizations were apparent long before the meltdown of the residential subprime mortgage market.
6. **According to the article, "Arcane Accounting Rules Failed Us in Securitization Mess," most securitization transactions are little more than a secured loan with recourse, often limited recourse, to the borrower.**
 - a. true
 - b. false
7. **According to the article, "Creating Enterprisewide Risk Awareness":**
 - a. Tone at the top automatically leads to an effective risk culture.
 - b. Appoint an insider to lead the risk culture team.
 - c. Make sure that at least three members of the board are on the risk culture team.
 - d. Ultimately, employees should diagnose the risk culture, and they shouldn't think that forces from outside the organization are imposing their views on them.
8. **According to the article, "Creating Enterprisewide Risk Awareness," the risk culture team should speak with all employees in the enterprise.**
 - a. true
 - b. false
9. **According to the interview article on Neil Barofsky, he said:**
 - a. "Our front line on deterrence is before a TARP program is even formally announced there's a consultation process with the Federal Reserve."
 - b. "When I first got here there already was an IG at TARP, but he was on his way out."
 - c. "We train and sensitize law enforcement so that all of us are involved in our task force to see the signs of potential fraud."
 - d. "We follow two paths when addressing deterrence."
10. **According to the interview article on Neil Barofsky, he said:**
 - a. "Criminals can do a lot of things, but they can't change the truth."
 - b. "We're not hiring anymore."
 - c. "We often bring in people just beginning their careers."
 - d. "Unfortunately, we don't hire retired federal agents."

Circle the correct answers and mail to the ACFE with four other CPE Quizzes from issues of *Fraud Magazine* published within the last two years.

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