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Subjects

1. Governmental Environment
2. Governmental Accounting, Financial Reporting and Budgeting
3. Governmental Financial Management and Control
4. Mix Questions

Topic: 1
Governmental Environment

Question: 1

Which of the following does NOT describe the Advanced Encryption Standard (AES)?

- A. A replacement for the Data Encryption Standard
- B. An encryption algorithm for securing sensitive material by US government agencies
- C. Asymmetric block cipher that can process data blocks of 128 bits
- D. The use of passwords and security images for logging onto secured Web sites.

Answer: D

Explanation:

The Advanced Encryption Standard (AES) is a replacement for the Data Encryption Standard, an encryption algorithm for securing sensitive material by US government agencies, and a symmetric block cipher that can process data blocks of 128 bits. It is not the use of passwords and security images for logging onto secured Web sites.

Question: 2

Which type of grant gives state and local governments the least flexibility when spending the grant money?

- A. Project grants
- B. Categorical formula grant
- C. Block grants
- D. Education grants

Answer: A

Explanation:

Project grants give state and local governments the least flexibility when spending grant money.

Question: 3

After the Office of Management and Budget (OMB) submits the president's budget, who is responsible for re-estimating the budget?

- A. Financial Management Service (FMS)
- B. Congressional Budget Office (CBO)
- C. Internal Revenue Service (IRS)
- D. Government Accountability Office (GAO)

Answer: B

Explanation:

After the Office of Management and Budget (OMB) submits the president's budget, the Congressional Budget Office (CBO) is responsible for re-estimating the budget.

Question: 4

Which organization's mission is to assist the president in overseeing the preparation of the president's budget and supervise its administration by the executive branch agencies?

- A. Office of Management and Budget (OMB)
- B. Government Accountability Office (GAO)
- C. Congressional Budget Office (CBO)
- D. Financial Management Service (FMS)

Answer: A

Explanation:

Assisting the president in overseeing the preparation of the president's budget and supervising budget's administration by the executive branch agencies is the mission of the Office of Management and Budget (OMB).

Question: 5

Which of the following is a reason that the federal government makes grants to state and local governments?

- A. To promote economic efficiency when only general knowledge is required
- B. To discourage state and local governments from adopting federal policy priorities
- C. To foster policy experimentation at the state and local levels that would be difficult to achieve at the national level
- D. None of the above

Answer: C

Explanation:

The reasons that the federal government makes grants to state and local governments include promoting economic efficiency when localized knowledge is required, encouraging state and local governments to adopt federal policy priorities, and fostering policy experimentation at the state and local levels that would be difficult to achieve at the national level.

Question: 6

Which of the following is an example of a special-purpose government?

- A. Indian Reservation
- B. Township
- C. Municipality
- D. School district

Answer: D

Explanation:

A school district is an example of a special-purpose government.

Question: 7

Which of the following describes government securities that pay interest every six months and mature in 30 years?

- A. Treasury bills
- B. Treasury notes
- C. Treasury bonds
- D. Treasury inflation-protected securities (TIPS)

Answer: C

Explanation:

Government securities that pay interest every six months and mature in 30 years are called bonds.

Question: 8

What was the maximum amount of earnings subject to social security taxes in 2014?

- A. \$103,000
- B. \$113,700
- C. \$117,000

D. \$123,700

Answer: C

Explanation:

The maximum amount of earnings subject to social security taxes in 2014 was \$117,000.treasury

Question: 9

What is a type of strategic objective that is not directly tied to a single strategic goal but may be tied to several called?

- A. Mission focused
- B. Mission focused (crosscutting/other)
- C. Management focused
- D. Management focused (crosscutting/other)

Answer: B

Explanation:

A type of strategic objective that is not directly tied to a single strategic goal but may be tied to several is called mission focused.

Question: 10

What is the rule requiring that all entitlement increases and tax cuts be fully offset?

- A. Balanced budget rule
- B. Allocative rule
- C. Pay-as-you-go (PAYGO) rule
- D. Appropriations rule

Answer: C

Explanation:

The rule requiring that all entitlement increases and tax cuts be fully offset is the pay-as-you-go (PAYGO) rule.

Question: 11

In state and local financial audits, material weaknesses must be reported to the

- A. legislature.
- B. governing body.

- C. taxpayers.
- D. local media.

Answer: B

Explanation:

- What Are Material Weaknesses?

A material weakness in internal control is a deficiency or combination of deficiencies that creates a reasonable possibility of a material misstatement in the financial statements that would not be prevented or detected in a timely manner.

In the context of state and local financial audits, material weaknesses must be reported to those charged with governance, as they are responsible for oversight and corrective actions.

- Why Is the Governing Body the Correct Answer?

The governing body (e.g., city council, county board, or state commission) is directly responsible for overseeing the entity's financial operations and ensuring accountability. Reporting material weaknesses to them ensures that corrective actions can be implemented to strengthen internal controls.

Auditors communicate such findings through an audit report or a management letter addressed to the governing body.

- Why Other Options Are Incorrect:

A . Legislature: The legislature may have oversight of state budgets and appropriations but is not the direct governing body for financial audits.

C . Taxpayers: While transparency is important, material weaknesses are not directly reported to taxpayers. They may be disclosed in public audit reports, but taxpayers are not the primary audience.

D . Local media: Material weaknesses are not formally reported to the media; their disclosure depends on the entity's public reporting processes.

- Reference and Documents:

GAO Yellow Book (GAGAS): Requires auditors to report material weaknesses to those charged with governance.

GASB (Governmental Accounting Standards Board): Emphasizes the importance of communicating significant audit findings to governing bodies.

AICPA Audit Standards (AU-C 265): Requires auditors to communicate material weaknesses to management and those charged with governance.

Question: 12

A city parks department is selecting a contractor to renovate a community playground. Which of the following contractors should be selected?

- A. The contractor with the lowest bid who has a history of delayed projects.
- B. The contractor with the second-lowest bid, who has no prior violations and meets all bid specifications.
- C. The contractor with the highest bid, who includes luxury, non-requested upgrades to the design.

D. The contractor whose bid was submitted past the deadline but offers a discount for early payment.

Answer: B

Explanation:

Understanding the Procurement Process for Contractors:

When selecting contractors for government projects, the goal is to ensure the selection of a responsible and responsive bidder who meets all requirements outlined in the Request for Proposal (RFP) or bidding documents.

Key considerations include the contractor's ability to meet deadlines, quality of work, and compliance with laws and regulations.

Analyzing the Answer Options:

A . The contractor with the lowest bid who has a history of delayed projects:

While cost savings are important, a contractor with a history of delays poses a significant risk to project timelines and community satisfaction. This bidder is not considered "responsible" based on their track record.

B . The contractor with the second-lowest bid, who has no prior violations and meets all bid specifications:

Although this is not the lowest bid, it is the best choice because the contractor meets all requirements and has a clean history. Selecting a reliable bidder ensures the project is completed on time and within acceptable quality standards. This is the most responsible and justified decision.

C . The contractor with the highest bid, who includes luxury, non-requested upgrades to the design:

Selecting a contractor who proposes unnecessary and expensive upgrades is not cost-effective. Government procurement prioritizes fulfilling project specifications within the approved budget, making this choice impractical.

D . The contractor whose bid was submitted past the deadline but offers a discount for early payment:

Late bids violate procurement rules, which emphasize fairness and transparency. Accepting this bid could lead to legal challenges or allegations of favoritism. Discounts do not justify breaching procurement guidelines.

Why Option B is Correct:

The second-lowest bid is the most responsible choice because the contractor:

Meets all bid requirements.

Has a strong history of compliance with regulations.

Avoids risks associated with unreliable or excessively expensive options.

This selection aligns with government procurement standards that prioritize balancing cost, quality, and reliability.

Reference and Documentation from the Government Financial Manager (GFM) by AGA:

Procurement Best Practices: The AGA emphasizes the importance of selecting bidders who demonstrate responsibility, reliability, and compliance with the bidding process.

Ethical Procurement Standards: The Yellow Book (Government Auditing Standards) highlights the importance of fairness, transparency, and accountability in contractor selection.

Source: AGA Certified Government Financial Manager (CGFM) study guides, Section IV: Internal Controls, Procurement, and Ethics.

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