International Journal of Arts & Sciences,
CD-ROM. ISSN: 1944-6934 :: 09(03):141–152 (2016)

EVALUATING THE CULTURAL DIFFERENCES IN BANKRUPTCY FRAUD AND MONEY LAUNDERING IN THE UNITED STATES AND EUROPE

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This paper evaluates the frequency and implications of bankruptcy fraud and money laundering. The degree of cultural and ethical differences between the United States and Europe is assessed. Additionally, the efficacy of current preventative measures against these crimes is evaluated. The research found that in spite of preventative measures and ever-advancing security measures in various financial establishments, criminal perpetrators who exploit these legal systems find a way to circumvent these countermeasures. While auditors and financial analysts are in the process of reducing these types of criminal misbehaviors, it may never be possible to nullify these issues completely without a uniform structure of financial regulations between the United States and Europe. This research establishes the common elements related to fraud and money laundering, the role of auditors in detecting fraud, and possible suggestions for future research. Moreover, this research provides factual evidence regarding these criminal misbehaviors.

Keywords: Bankruptcy fraud, Money laundering, Cultural differences, United States, Europe.

Introduction

The bankruptcy system in the United States is designed to provide individuals and other legal entities the opportunity to reconstruct their businesses, or if reconstruction is not plausible, to evenly allocate the non-exempt assets of the debtor among the creditors. With this in mind, the bankruptcy system is also based on the assumption that the debtor will fully disclose his or her assets and liabilities so that the appropriate method of bankruptcy filing will be used.

Bankruptcy fraud is most prevalent in the United States and Europe. From 2003 to 2005, the United States Trustee Program (USTP) attempted to remedy the accelerating amount of debtors who abused the bankruptcy system through the voluntary concealment of assets when completing personal forms and other offenses. The outcome was more than $1.75 billion in undischarged debts (Clancy, 2007, p. 2).

In terms of bankruptcy fraud, debtor fraud becomes a serious issue. Currently, USTP does not have an automated system in place for inspecting personal bankruptcy forms filed by debtors. In other words, personal bankruptcy forms are manually examined and handled by USTP professionals. Manual inspection of bankruptcy forms and cases poses an overall problem for USTP because additional resources, which lead to increased expenses, are needed to determine whether any form of error or misstatements occur. Being able to prioritize bankruptcy cases allows USTP to allocate its resources more efficiently and effectively (Clancy, 2007, p. 2).

Money laundering is not an unfamiliar issue to any nation. This problem has predated the world long enough to adapt to changes in foreign policies, financial operating systems, and domestic political systems. For many years, the United States and Europe have lacked cohesiveness and a systematic approach in dealing with this issue. Most of the focus comes down to pointing fingers between nations and criminal factions. According to Morris Cotterill, "money laundering scandals sap economics and destabilize governments. Policymakers blame criminal cartels, tax havens, and new techniques like cyberlaundering" (2001, p. 16).

Based on the information regarding this issue and the effects it has among nations, the most effective step in battling money laundering would be to coordinate the global operating rules and the standards among financial systems. A statement by Cotterill indicates that "outlaws will always exploit disparate legal systems to stash the proceeds of their crimes" due to the lack of "unified rules governing global finance" (2001, p. 16).

In recent years, several significant money laundering scandals around the world have instigated countries to establish stronger security systems among financial institutions, particularly the private banking sector. The overall goal is to enact a stronger and more unified front against money laundering.

Background on Bankruptcy Fraud

Bankruptcy fraud, involving both material and intellectual objects, exists in one of the following ways: (Stoicu, 2012, p. 98).

- "forgery, abstraction, or destruction of the debtor's records or concealment of a part of debtor's assets;
- presentation of non-existent debts or undue sums in the debtor's records, in another document or in financial statements, each of these actions being committed to deceive creditors;
- alienation of assets to deceive creditors, in case of solvency of the debtor."

Materiality in bankruptcy fraud involves misstatement in financial records, including the falsification of information regarding assets, whether it be completely or partially omitting transactions that could wrongfully favor the debtor. Creditors may be deceived from intentional errors and inaccuracy in the debtor's accounting records (Stoicu, 2012, p. 99).

In the U.S., USTP, which is an integral part of the U.S. Department of Justice (DOJ), handles issues concerning bankruptcy fraud, including the eradication of abuse, error, and misstatements in personal bankruptcy filings. USTP must also uphold bankruptcy law standards (Clancy & Carroll, 2007, p. 1).

Title 11 of the U.S. Code, primarily known as the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure, guides the bankruptcy process established by the U.S. Congress (Clancy & Carroll, 2007, p. 5). The bankruptcy fraud statute is designed to promote the integrity of the U.S. bankruptcy system and to ameliorate and evenly allocate a debtor's assets to creditors (Gewertz, 2009, p. 910).

Civil bankruptcy laws and penalties focus on compensating creditors who are cheated out of a debtor's intentional misstatements and errors in filing bankruptcy forms. Criminal bankruptcy laws aim to deter a debtor's fraudulent behavior through strict fines and prosecution (Gewertz, 2009, p. 913).

Subjectively, a debtor has committed bankruptcy fraud when he or she voluntarily and intentionally performs any of the preceding elements pertaining to bankruptcy fraud, and may be subject to legal repercussions even if that was not his or her original intention. When this crime is executed by an individual or a legal entity, including sole proprietorships, partnerships and corporations, the monetary fine ranges from $5,000 to $600,000, which may include an additional fine, such as the dissolution of the entity (Stoicu, 2012, p. 100).

In an attempt to institute a debtor audit project, the USTP sampled 1,500 bankruptcy cases, in which both income and debt were high, and assigned these cases to outside auditing firms. The number of misstatements and fraudulent activities found in these cases were exceedingly high. Despite the fact that

the majority of these cases did not demand court action, this project indicates that misstatements are widespread and that there is a tremendous amount of potential for bankruptcy fraud and abuse to occur (Clancy & Carroll, 2007, p. 2). Additionally, a research study conducted by Steven Rhodes, U.S. Judge of Bankruptcy Court for the Eastern District of Michigan, discovered that 99 percent of 200 randomly sampled bankruptcy cases contained a mean of three errors for each case. The second study identified 48 percent of 103 consumer asset cases conducted by trustees contained concealed assets by the debtors (Clancy & Carroll, 2007, p. 2), which is a direct violation of the law and is acknowledged as fraudulent behavior by the debtor.

Aside from the preceding studies, two massive bankruptcy cases that occurred in the U.S. include Lehman Brothers Holdings and Bernie Madoff. The Lehman Brothers bankruptcy case was the largest recorded in history in the U.S. with over $639 billion in assets and $619 billion in debt. The fall of the Lehman Brothers contributed to the yearlong economic collapse of Wall Street and endangered the overall financial health of the nation. Furthermore, Madoff was found guilty of defrauding clients of approximately $65 billion in a twenty-year period through an elaborate Ponzi scheme (Rotshchild, 2012, p. 1376-1377). These large bankruptcy cases took a toll in the country's economic well-being and heavily negatively impacted global financial markets.

Bankruptcy Systems in the United States and Europe

An international study conducted by Gutiérrez, et al, analyzed various firm performances in the United States and Europe under different bankruptcy systems. Table 1 below provides exact figures on the total number of firms that were considered. The bankruptcy law not only affects firms that file for bankruptcy. In fact, it affects all firms' financial situations (Gutiérrez et al., 2012).

Table 1. Number of firms per country

Countries	Total Firms	Total Observations	Bankrupt Firms	Bankrupt Observations
Germany	246	2552	23	186
Spain	60	654	10	117
France	214	2236	14	109
United Kingdom	535	5514	14	109
USA	2134	19986	69	529
Total	3189	30942	130	1050

Note. Adapted from p. 856, by Gutiérrez, et al., 2012, Accounting and Finance

In the U.K. and Germany, old bankruptcy law and standards prioritizes and favors creditors. This meant that debtors are not eligible for the same degree of protection and assurance as creditors. In recent years, Germany has reformed its measures to include more rights and protection for debtors and firms' survival so that bias against debtors will no longer occur. On the other hand, the bankruptcy laws in the U.S., Spain, and France contain more statutes that protect debtors and firms' survival. Chapter 11 of the U.S. bankruptcy code is a great example of debtor protection.

Spain's governance protects creditors more than the U.S, and France neither favors creditors nor debtors to a large extent (Gutiérrez et al., 2012). Research conducted by Gutiérrez et al. (2012) indicates that firms whose bankruptcy code focuses on creditor-oriented systems tend to be in less financial distress than those whose statutes are more debtor-oriented. Further analysis has indicated that the strengthening creditor protection in bankruptcy law will be beneficial in the long run to reduce debtor bias (Gennaioli & Rossi, 2010).

Additionally, Europe encountered dissimilar features from the U.S. style of earnings manipulation. Despite its fair share of financial scandals, only European firms cross-listed in the U.S. shared identical dilemmas of earnings management (Coffee, 2005, p. 199). As an example of the way this kind of criminal activity is definitely different due to where it takes place in the world, in the U.S., executives are often given incentives to perform better through stock-based options, restricted stock, stock appreciation rights, and other forms of compensations, which causes an increase in fraud allegations. It is possible that as a result of this, executives feel pressured to manipulate financial statements in order to increase the company's stock price. Comparatively, in Europe, there is less emphasis in executive equity-based compensations and total rewards focus less on performance. Discrepancy between the U.S. and Europe potentially occurs because of the less scrupulous supervision of legal entities and lesser risk of prosecution in Europe (Coffee, 2005, p. 205). This does not necessarily mean that European executives are more ethical than their American counterparts. The U.S. and Europe have different laws regarding financial structures, each with their own vulnerabilities. Therefore, identifying the legal structure will allow regulators to better predict fraud, abuse, error and misstatements in financial statements (Coffee, 2005, p. 209).

Why Fraud Occurs

According to Albrecht, the three elements common to all frauds are (1) perceived pressure, (2) perceived opportunity, and (3) some way to justify the fraud as acceptable and consistent with one's ethical conduct, whether it be fraud against a company or fraud on behalf of a company (2008, p. 3).

Perceived pressure includes both financial and nonfinancial factors, including, but not limited to, the demand for better results compared to prior year's performance, continuous improvement, and work dissatisfaction. Examples mentioned contribute to the motivation for people to commit fraud (Albrecht, 2008, p. 3).

When perceived opportunity exists, executives are more willing to execute and disguise fraudulent behavior. Factors that foster fraudulent activities include ineffective and inefficient internal controls (Albrecht, 2008, p. 3).

Rationalization of fraud develops when executives attempt to justify that fraudulent behavior will allow the company to become better overall. Reasons include the desire to meet Wall Street expectations and forecasts even if they appear to be infeasible, the need to increase stock price, and the assumption that a majority of businesses utilize aggressive accounting methods (Albrecht, 2008, p. 3). A notable example of a corporation that manipulated its financial statements is Enron. Enron's rapid expansion proved to be more catastrophic than profitable so the company disguised its losses through Special Purpose Entity (SPE) manipulations. Corporate greed plays a huge role in fraudulent behaviors among executives and top management (Giroux, 2008).

These three common elements play a big role in determining the behaviors associated with the execution of fraudulent crimes. Understanding how these elements affect U.S. and European executives who commit such unlawful actions will allow future researchers to implement appropriate programs that will hopefully decrease the amount of bankruptcy fraud.

The Importance of Auditors in Detecting Fraud

Internal and external auditors have the ability to thoroughly investigate a company's financial records and to determine whether a company is committing fraudulent activities. Auditors are expected to exhibit ethical behavior and to inform management of any suspicious behavior they encounter. Despite the nature of the accounting profession, which requires auditors to examine several businesses' financial statements, only 14 percent of internal auditors and only 3 percent of external auditors detect fraud (Stuart, 2014, p. 34). This is problematic, as the amount of fraudulent activities concerning businesses are on the rise and those auditors who are in a position to be made aware of the problem only seem to be able to do so in a

relatively small number of cases. As it is, auditors are legally obligated to inform management of possible fraudulent behavior, when it arises. The amount of undetected misstatements and errors in financial statements may indicate incompetence in an auditor's ability to identify fraud.

The establishment of the Sarbanes-Oxley Act (SOX) by the Public Company Accounting Oversight Board (PCAOB) gave further importance to auditors' responsibilities in detecting fraud on a company's financial statements. Its objective was to "protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports" (Albrecht, 2008, p. 7). Through this, accountants are obligated to accurately audit companies' financial records and take action when fraudulent activities arise. Several changes have been implemented including, but not limited to, the inclusion of whistleblower protection, independence of board of directors, auditors' requirement to report to a company's audit committee instead of management, audit partner rotations, and employment associations (Albrecht, 2008, p. 9).

Presently, newly implemented standards, rules, and acts have been determined to assist auditors in distinguishing and impeding fraud. The three common elements of why fraud occurs, specifically perceived pressure, perceived opportunity, and rationalization, permits auditors to better understand the reasons why fraud occurs and to better detect fraud. The SOX Act has increased the proactivity and initiative of auditors in analyzing potential fraud cases, promoted synergy among audit teams to evaluate fraud risks, and has increased the likelihood of identifying new fraud indicators. Nonetheless, it is impractical and unreasonable to believe that all frauds will be detected and prevented due to the large amount of accounting records and the unwillingness of people to provide fraud information, no matter how observant auditors are (Albrecht, 2008, p. 8).

Having separate fraud audits rather than simply conducting Generally Accepted Audit Standards (GAAS) will be beneficial in the long run in further detecting fraud in financial statements. Fraud audits are more applicable to investigating all types of suspicious behavior that could potentially lead to fraud, while GAAS audits priority is to make certain that a company's financial records are in accordance with GAAP. In addition, GAAS audits rely on selective sampling while fraud audits wholly examine all transactions, which eradicates sampling error. The downside to fraud audits is that it is timely and extremely costly to administer (Albrecht, 2008, p. 10).

Investigating the differences between the cultural and ethical differences between the United States and Europe may allow future researchers to discuss the impact of cultural intelligence on assessing and approaching bankruptcy fraud.

Background on Money Laundering

Money laundering is the premeditated crime of transferring tainted money through the operating financial and economic systems of nations in order to disguise the illicit origins of such capital (Gnutzmann, et al., 2010, p. 244). This money must be "cleaned" in order to be reintroduced into the formal economy of a country. The process that most criminals follow in order to clean money can be broken down into three phases: placement, layering, and integration (Oakes, 2015, p. 15).

The placement of money refers to the difficult task of placing the money into the global banking system. In the United States, criminals attempt to get rid of physical cash by placing it into financial systems (Suter, 2002, pg. 362). This is the most vulnerable step in the process and the most critical for authorities. At this step, bankers can frequently question the origin of suspicious money movement behaviors, such as unusually large deposits.

Layering refers to the cycling of money among nations in order to erase its criminal traces. Criminals tend to move the money in and out of fake companies and wire the money back and forth across countries. Not only does this create an extremely difficult trail to follow but it makes it challenging for investigators of one country to trace the money since investigators lose jurisdiction once the money leaves the country of origin. Additionally, layering is made easier by countries that offer discrete financial

services, such as the Cayman Islands or the Bahamas, where banks rarely provide their clients' information to outside parties (Suter, 2002, pg. 361-362).

Finally, this "washed" money is then reintroduced into the economy through investments and purchases of assets. At this stage, criminals are able to acquire a wide variety of properties, including land, houses, motor vehicles, and businesses. Furthermore, criminals can legally resell these items (Schneider, 2013, pg. 682-683).

Money Laundering: A Persistent Problem

Comparing the ratios of illegal financial transactions that occur around the world and the amount of illegal transactions that are uncovered and prosecuted, one can conclude that there is a serious flaw in the way this criminal behavior is being handled by most, if not all, of afflicted countries. Is it that most illicit financial transactions and crimes have reached such a complex level that they lay beyond the scope of the law? Is the problem inconsistency and variations in the laws and financial operating systems and regulations between countries that allows such crimes to be so complex and difficult to trace and to prosecute? The struggle of battling money laundering activities derives from two important topics.

Furthermore, it is important to consider that tainted proceeds in money laundering come from the operations of illegal businesses, such as drug trafficking, human trafficking, and fraudulent financial activities. Money laundering is a problem that goes beyond the action of "cleaning money" (Gnutzmann, et al., 2010, p. 244). Money laundering is rooted in the prevalence of all other criminal activities that generate large amount of illegal wealth. The origin of such illegal capital must be taken into consideration as well as the methods used for its reintroduction to the economy (Levi & Reuter, 2006).

Money laundering can be as simple as performing monetary transactions that are considered illegal in one country even though the origins are legal. In reality, the complexity of money laundering is the result of the prominent variations in financial systems operations for different countries. Tracing the money would not be a big problem if there was uniformity present among countries' financial operating standards and regulations. Criminals take advantage of these irregularities in order to avoid the authorities. The absence of legal unity and cooperation among countries allows money laundering to become a highly complex crime.

The absence of uniformity in the global financial markets is not due to a complete disregard of the issue. Several global entities have been established to provide unity among the financial structures that constitute the global financial trading markets (Bauer & Peter, 2003, pg. 70). Inter-governmental bodies such as The Financial Action Task Force (FATF) and the G7 have been established to promote global policies to combat money laundering activities. Yet, the works that these institutions have drafted and promoted have not attained any legitimate legal power in any of the constituent countries. In fact, most of the work done by these entities has been considered as guidelines rather than actual regulations in the systems (Munro, 2005, pg. 426-431).

The Relationship between Hofstede's Cultural Dimensions Model to Bankruptcy Fraud and Money Laundering

Geert Hofstede created the six dimensions of national culture through comprehensive research. His cultural dimensions model contains power distance, individualism, masculinity, uncertainty avoidance, long term orientation, and indulgence.

Power distance is the measurement of individuals' perceptions of inequalities among people. Individuals in countries with a high degree of power distance accept a hierarchical order in which everybody has a place and requires no further explanation. Countries with low power distance believe that power should be evenly distributed among individuals and expect disapprove of inequalities in power (Hofstede, 2012).

Individualism is defined as the desire for distant social ties and a detached social framework in which individuals are anticipated to only care for themselves and their immediate families. On the other hand, collectivism symbolizes the desire for strong social ties and a close-knit social framework in which individuals assume that their relatives and other members of their society will tend to them in exchange for undying loyalty (Hofstede, 2012).

Masculinity emphasizes the importance of attaining monumental goals, bravery, aggressiveness, and material incentives. In contrast, femininity emphasizes the importance of teamwork and collaboration, humility, tending to the weak, and improving socioeconomic status. Society is determined to be harmonious. The vast majority of people involved in decisions are in agreement with one another (Hofstede, 2012).

Uncertainty avoidance measures the amount of uncertainty and vagueness that people feel uncomfortable with. This dimension focuses on the issue of the unpredictability of the future, and whether or not, we, as a society, should attempt to control the future or allow it to simply occur. Nations demonstrating high uncertainty avoidance tend to preserve conservative views, while nations demonstrating low uncertainty avoidance tend to display more liberal ideologies Hofstede, 2012).

Long term orientation encourages a pragmatic approach and emphasizes frugality and thriftiness to prepare for the uncertainties of the future. On the other hand, countries that focus on short term normative orientation prefer old norms and established practices. They are also apprehensive toward variations in society (Hofstede, 2012).

Indulgence represents societies that allow free enjoyment and satisfaction of various human activities with the emphasis of having fun. Restraint represents delayed gratification of needs and wants through the regulation of rigid standards (Hofstede, 2012).

It is inevitable to see how each country's culture reflects upon the roots of its financial and legal systems and institutions, which leads to the differentiation in the global financial systems. Due to the importance of culture, several similarities and differences among some of the most involved nations will be analyzed.

The following table is based on Hofstede's Cultural Dimensions Model. While the table does not contain all six cultural dimensions, it highlights the dimensions that are most relevant to the topic of money laundering and fraud.

Table 2. Hofstede's Cultural Dimensions for United States and European Countries

Countries	**Long term Orientation**	**Power distance**	**Individualism**	**Uncertainty avoidance**
United States	*26*	40	91	46
Germany	83	35	67	65
Switzerland	74	34	68	58
United Kingdom	51	35	89	35

According to the Hofstede's cultural model, the low long term orientation index indicates that Americans measure performance on the short term basis. In other words, they are considered to be a normative society. This index score indicates the practicality of the American people. They are oriented by short-term basis performance, quick results, and the preference to maintain long honored traditions (Hofstede, 2012). This proclivity for fast results and short-term performance can be reflected in money laundering and fraudulent issues by the fact that the United States has been one of the most active countries, currently, in the attempt to establish a global set of codes in the financial systems (Bauer & Peter, 2003, pg. 69). However, on the other side of the coin, American banks and corporations might be tempted by the quick generous profits that these criminal activities can produce, and the fast growth that this can bring to such corporations as a business.

Another dimension to consider is power distance. Based on the low score for power distance, Americans have an inclination toward equal rights and a balanced distribution of power. This tendency, in relation to money laundering and fraud, can be observed through the laws that the United States has enacted to protect whistleblowers. This low tolerance for unfair distribution of power and unfairness should encourage, at least to a minimum extent, the fight against these unethical behaviors within the United Sates. Fear, and in many cases flaws in its legal system, is still a significant impeding and determining factor in numerous money laundering and fraud cases in the United States. In several cases, whistleblowers have actually been punished instead of being protected. According to Diana Oakes, "When UBS was fined $US780 million for massive tax evasion involving thousands of offshore accounts, the only person to receive any jail time was whistle-blower Brad Birkenfeld" (Oakes, 2015, p. 22). Another contradicting factor is the relatively small fines that American corporations have had to pay for getting involved in money laundering operations (Oakes, 2015, p.22).

In contrast to the previous low scores, the individualism score is high for the United States. In many money laundering cases, it is the individualistic desire of increasing profits that leads wealthy people or individuals with important positions to engage, themselves or their corporations, in illicit money activities (Oakes, 2015, pg. 18). This is the "expectation that people look after themselves" that Hofstede refers to (Hofstede, 2012). Another factor linking America's individualism and money laundering activities is the fact that "Americans are accustomed to doing business or interacting with people they don't know well." (Hofstede, 2012). This creates a constant over exposure of American corporates to a variety of business' ethics and values that can ultimately influence them to engage in a variety of activities, legal or illegal. Moreover, this index number seems to be somewhat contradictory to the frequent way that the United States' legal system has punished money laundering activities. In the majority of the cases, corporations are the ones being tried instead of the individuals that are directly linked to the crimes. "There have been other examples of penalties being issued rather than seeking criminal convictions for financial crimes. Take for example […] Wachovia, part of Wells Fargo, one of the largest banks in America, assisted the Sinaloa Mexican drug cartel in laundering more than $US375 billion. This amounts to about one-third of Mexico's gross national product. Criminal proceedings were brought against Wachovia, but no individuals were charged." (Oakes, 2015, pg. 19). Convicting a single person can be more difficult than convicting separate legal entities given the fact that, "the regulator has to prove that the person concerned was directly responsible for the regulatory failing" (McDermott, 2014 pg.5). Nonetheless, avoiding difficult trails might be one of the biggest sponsors of individuals practicing in money laundering activities. It is unlikely that they will be prosecuted as individuals.

The index score for uncertainty avoidance for the United States is within a close range to the ones exhibited by European countries. This score can be linked to the establishment and the cumulative attempts of the G7 constituent countries to create global controls and margins in the financial systems. However, some of the G7 European countries such as United Kingdom, which has a higher score in this dimension, are more comfortable taking risks and adopting globalized regulations than the United States. While the United States' score indicates a "fair degree of acceptance for new ideas," countries with scores similar to the United Kingdom would likely be more open to modifications of their own financial operating legislations (Hofstede, 2012). This index number can also be linked to the U.S.A's high individualism index. Even though the United States is part of the G7, it has not been until current years that the United States has had a more accepting attitude toward the idea of assigning some legal validation to the rules that the FATF has enacted. (Heng & McDonagh, 2008, pg. 558).

According to Hofstede, Germany's and Switzerland's high scores in this dimension indicate a "strong propensity to save and invest" (Hofstede, 2010). This proclivity of making capital grow can potentially be a link to their high collusion rates in the money laundering business and to its financial and legal structures. Hofstede describes countries with these scores as, "people [who] believe that truth depends very much on situation, context and time" (Hofstede, 2010). This could help explain why money laundering and fraudulent activities are prevented and prosecuted so differently between countries with these scores, and countries like the United States that have a more normative-settled approach.

Unlike every other country in the table, the U.K. has an intermediate score in this dimension. This score cannot be interpreted as a dominant preference for long term orientation in the British culture.

All the countries in the table have low scores for power distance. This scores indicate a strong resistance to leadership and unfair distribution of power. While all of the countries in this table form part of the G7, the similarity in the scores reflects the difficulties that the FATF has had as far as obtaining any actual legal power. While all of the countries have participated in the establishment of the FATF's recommendations, none of them have actually granted any legal power to these policies.

Like power distance, all the countries in the table scored high in individualism. This high degree of interdependence also accentuates the lack of uniformity that has been experienced in the fight against money laundering and bankruptcy fraud. These high scores show the struggle that each country is having in adopting universal laws to regulate the global banking system.

Hofstede interprets Germany's score in this section as a preference for deductive reasoning and heavy reliance on expertise. Systematic overviews must be established before proceeding with plans (Hofstede, 2010). There is a clear correlation between the desire for details and certainty and the rejection of a uniform set of legal global regulations for the financial systems. Germany's feel of certainty is subjective to their customs, laws, criminal activity, among many other factors that are comprised in their culture and style of life. Given the many differences in the financial regulations and procedures among the countries facing and actively fighting money laundering and bankruptcy fraud, there is a high level of uncertainty as to how effectively a global set of guidelines would work. Nonetheless, the individuals working towards unity in this problem, such as the representatives working in the G7 and FATF, have the expertise and abilities to establish such a global legal system. The resistance that countries with a similar score to that of Germany might have to adapting a global set of guidelines is more rooted in their preference to stick to what is familiar rather than adopting a foreign jurisdiction.

Like Germany, Switzerland scores high in this dimension. Hofstede describes Switzerland, based on this score, as a country with people who need rules, even if they are inefficient, and who "have an inner urge to be busy and work hard, precision and punctuality are the norm, innovation may be resisted, security is an important element in individual motivation […] decisions are taken after careful analysis of all available information" (Hofstede, 2010). Like the other countries that scored high in this section, the necessity for uniformity and renovation in the financial operating systems is clear and eminent. However, there is still a strong opposition to legally enacting this proposition. Even though these countries form part of the G7 and the FATF and have representatives in such entities, they continue to declare their work more as recommendations than actual legal jurisdictions.

The UK contains the lowest score from the European countries in the table. Unlike Germany and Switzerland, UK has a higher propensity of accepting change and innovation, even in their legal system. However, a disadvantage, in regards to money laundering and bankruptcy fraud, based on Hofstede's statement is that, "there are generally not too many rules in British society" (Hofstede, 2010). Given the complexity of money laundering activities and fraudulent behaviors, having a strong and complete set of specific laws to prevent and punish these criminal misbehaviors could imminently aid the fight against them. On the other end of the spectrum, given the fact that the UK is more open to innovation and has a more simplistic legal system, their support of FATF recommendations and other innovations might be stronger.

Compared to Europe, the U.S. has high individualism and extremely low long term orientation. In other words, the U.S. has low group orientation and high short term normative orientation (Hofstede, 2012).

When looking at the role of internal and external auditors in the detection of fraud, auditors are not completely liable or held accountable for their actions. Corporations, including the huge Enron scandal, are persecuted as a whole, which leads to the dissolution of the entity. There is a dissonance when observing the legal structure of financial laws and the cultural norm in the U.S. Despite this, the U.S. does exhibit individualistic behaviors when analyzing the frequency of corporations in providing compensation, based on an individual's role in strengthening company performance. Corporations in

Europe seem to focus less on total compensation based on company performance, which leads to less situational pressures for an individual to commit fraud.

The United States and Europe are governed by different financial laws and structures, which makes the detection of fraudulent activities, including bankruptcy fraud and money laundering, to be difficult. Analyzing the cultural dimensions between the U.S. and Europe might bring into light the implications of detecting fraud and money laundering instances. Furthermore, it might aid in the understanding of why certain procedures take place in the corresponding nation. In the case of the U.S. and Europe, the financial laws do not seem to be in agreement with the cultural norm. The implementation of a uniform set of standards across the world might not be an easy task; however, this may prove to be a worthwhile endeavor, if it will assist in the detection of these criminal behaviors.

Conclusions and Suggestions for Future Research

To conclude, the United States and Europe are plagued with criminal actions, particularly bankruptcy fraud and money laundering, which are due to numerous factors, including, but not limited to, unclear fraud indicators and situational pressures. Most importantly, a lack of uniform set of financial regulations to operate in the global financial markets.

Gathered from our research, there is a clear correlation between differences in cultural behaviors and the way each country's legal financial laws are structured. With this in mind, there should be an emphasis on further analyzing and establishing cooperation and uniformity in the way the U.S. and Europe operate.

Future researchers should focus on further analyzing cultural behaviors in the U.S. and Europe and its effects on the development and retention of legal financial structures and standards. Additionally, looking into developing an automatic system for personal bankruptcy filings may eliminate some risk of fraud. This will also allow more effective allocation of the USTP's resources in order to examine more cases.

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