



compliance  
Internal Audit  
independent  
risk  
add value  
effective  
improve  
efficient  
assurance  
objective

## ***The Trusted Advisors, Vol. 5***



Houston Community College is an organization with strong values of responsibility, accountability, and integrity. The Employee Standard of Conduct, [HCC Board Policy Section D: DH \(Regulation\)](#), reflects our commitment to compliance with laws and policies where all community members are expected to conduct themselves with the highest standards of ethics. [Click here to find out how to report a violation of the Standards of Conduct.](#)

## **Compliance vs Ethics**

It is common to hear the word compliance accompanied by the word ethics. The two terms are oftentimes interchanged incorrectly. Both words have very different meanings; yet, often go together hand in hand.

Compliance is reactive. It forces people to make a conscious choice to follow laws, rules, or policies. Ethics means doing what is right regardless of what the law says and it involves being proactive. It is doing the right thing even when no one is watching.

Having a successful compliance and ethics program is a common goal for organizations. A key factor to achieving this goal is to ensure that the organization develops an organizational culture that is built on integrity. A culture of integrity is based on values that are clear and consistent. Values ensure that organizations perform with integrity and enjoy a positive reputation with customers, employees, and partners. Effective compliance and ethics programs discourage employee misconduct. They also encourage employees to report misconduct by others. If left unchecked, culture can be the driver of unethical and fraudulent behavior.

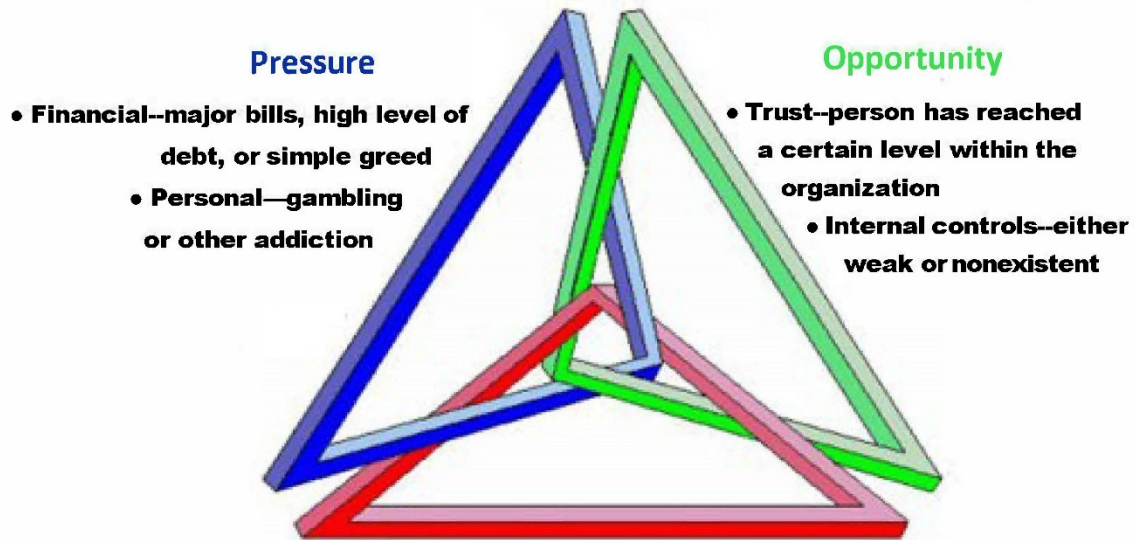
***"Culture eats strategy for breakfast."***

*- Peter Drucker*

Organizations must understand why people choose unethical behavior in order to effectively combat fraud. As pictured in the diagram below, a fraud can result from the mixture of opportunity, pressure, and rationalization.

## The Fraud Triangle

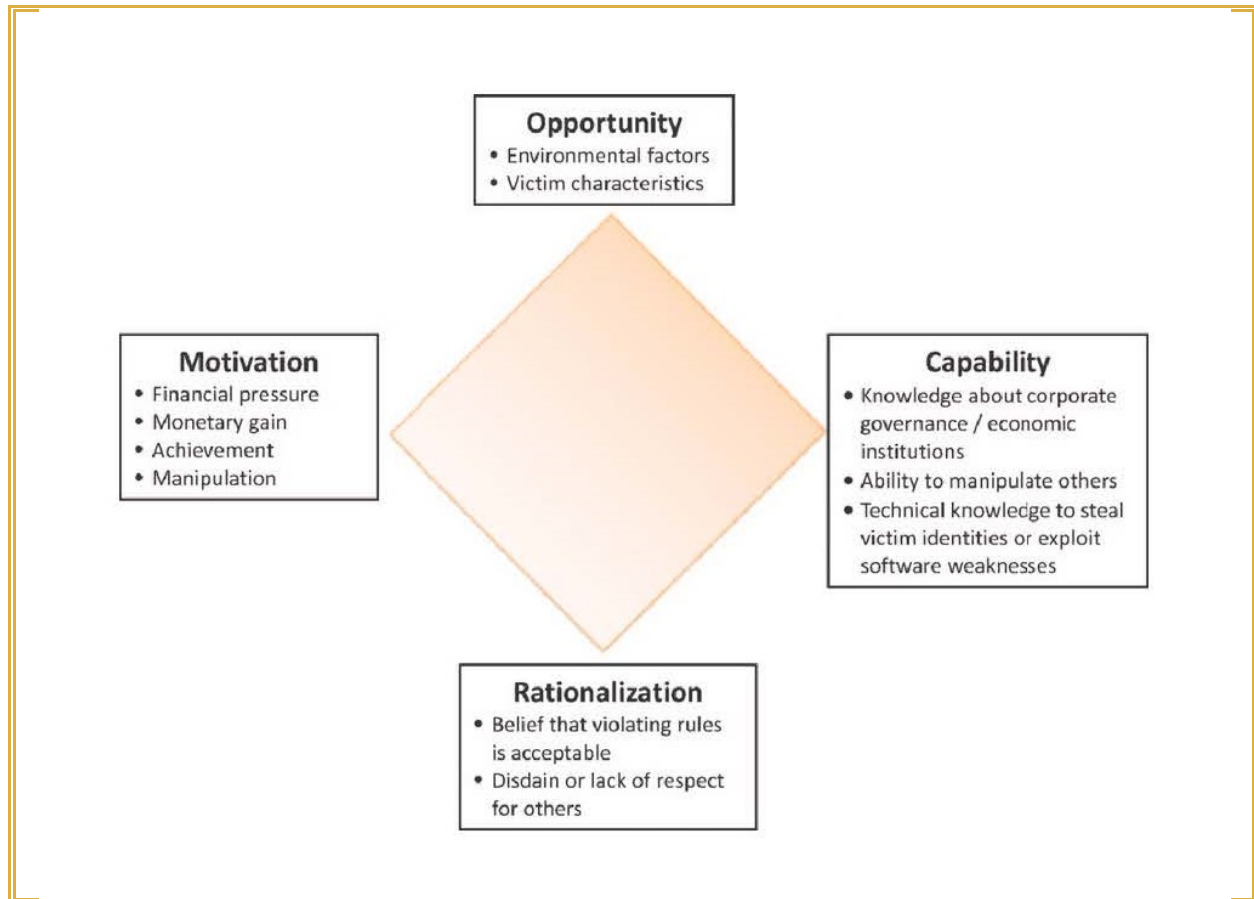
When all three components are present – there is a red flag for possible fraud



## Rationalization

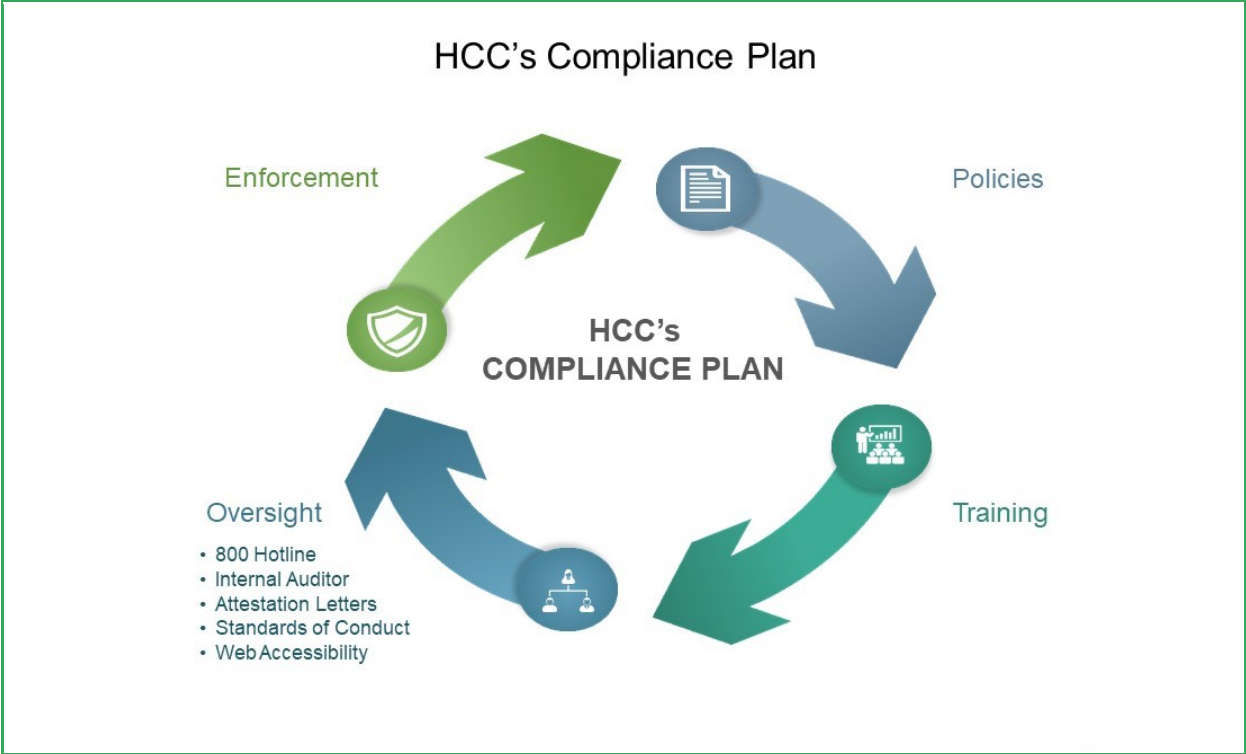
- **Justification** – “I’m only borrowing the money. I’ll give it back when financial situation improves.”
- **Lack of ethics**—“Management isn’t honest, so why should I be?”
- **Work-related**—feeling overworked and underpaid; passed over

While the fraud triangle theory is well-known and often discussed, there is an expanded version of the fraud triangle theory, the fraud diamond theory. The fraud diamond theory includes a fourth element, capacity. Capacity refers to the skills and ability of the potential perpetrator to actually commit the fraud.



Organizations must maintain a watchful eye on the relationship between the risk of fraud and their compliance efforts. HCC is committed to conducting business ethically and complying with applicable federal and state laws and regulations. HCC's compliance plan includes the following four elements:

- Policies
- Training
- Oversight
- Enforcement



Compliance is much more than a bunch of policies & controls and ethics is more than just having a code of ethics. Compliance and ethics programs require commitment and support from the entire organization in order to be effective.



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[Former University Financial Advisor Facing Federal Charges for Wire Fraud | USAO-MD | Department of Justice](#)



You can view HCC's Compliance & Ethics information at this link – <https://www.hccs.edu/about-hcc/compliance--ethics/>

Want to learn more about HCC's Internal Audit function? Click on this link: <https://www.hccs.edu/departments/internal-auditing/>



## About Houston Community College

Houston Community College (HCC) is composed of 14 Centers of Excellence and numerous satellite centers that serve the diverse communities in the Greater Houston area by preparing individuals to live and work in an increasingly international and technological society. HCC is one of the country's largest singly-accredited, open-admission, community colleges offering associate degrees, certificates, workforce training, and lifelong learning opportunities. To learn more, visit [www.hccs.edu](http://www.hccs.edu).

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*Houston Community College supports, and the College is committed to, providing a learning and working environment that promotes personal integrity, civility, and mutual respect in an environment free of discrimination and harassment on the basis of race, color, religion, sex, gender identity and gender expression, national origin, age, disability, sexual orientation, or veteran status. The following person has been designated to handle inquiries regarding the nondiscrimination policies: David Cross, Director EEO/Compliance, 3100 Main Street, Houston, TX 77002, 713.718.8271 or [Institutional.Equity@hccs.edu](mailto:Institutional.Equity@hccs.edu)*

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