University Council Minutes  
November 4, 2019  
3:30 PM  
Steger Hall Conference Center

**Present:** Dwayne Pinkney (presiding) for Tim Sands, Dan Thorp for Laura Belmonte, Ellen Plummer for Cyril Clarke, Greg Daniel, Karen DePauw, Bryan Garey, Susan Short for Guru Ghosh, Edwin Jones for Alan Grant, Scott Midkiff, Brennan Shepard for Ken Miller, Sally Morton, April Myers, Kelly Oaks, Kim O'Rourke, Tara Frank for Patricia Perillo, Julie Farmer for Charles Phlegar, Menah Pratt-Clarke (via Zoom), Julia Ross (via Zoom), Robert Sumichrast (via Zoom), Don Taylor, Lisa Wilkes (via Zoom), Jonathan Bradley (via Zoom), Urs Buehlmann, Greg Fansler, Bob Hicok, John Hole, Annabelle Fuselier for Kimberley Homer, Alan Michaels, Kerry Redican, Serena Young, Diane Agud, Eric Kaufman, Bettina Koch, Robin Queen, Anthony Wright de Hernandez, Lynn Abbott, David Bieri, Jia-Qiang He (via Zoom), Daniel Hindman, Madlyn Frisard for Mary Marchant, David Tegarden, Velva Groover, Brandy Morse, Sue Teel, Janice Austin, Khaled Hassouna, Inga Haugen, Kase Poling (via Zoom), Caitlyn Stokes, Blake Barnhill, Jack Shebat, John Ferris, Ryan King (via Zoom), Tamarah Smith, & Madelynn Todd (via Zoom)

**Absent:** Richard Blythe (with notice), Michael Friedlander, Lee Learman, Steve McKnight, Tyler Walters, Paul Winistorfer, John Livingston (with notice), Monty Abbas, Cayce Myers, Matthew Gabriele, Chris Lawrence, LaTawnya Burleson (with notice), Katrina Loan, Teresa Lyons, Glenda Scales, Hani Awni, Alexis Hruby, Sharon Stidham, Jayme Bibbins, Conrad Briles, Kaitlyn Cole, & Adi Sircar

**Guests:** Catherine Amelink, Lori Buchanan, Kevin Edgar, Keri Evans (via Zoom), Jack Finney, Henri Gendreau, James Jewitt, Sharon Kurek, & Justin Noble

Dr. Pinkney called the meeting to order at 3:30 p.m. A quorum was present.

1. **Adoption of Agenda**

A motion was made and seconded to adopt the agenda. The motion carried.

2. **Announcement of approval and posting of minutes of October 21, 2019**

Dr. Pinkney noted that these minutes have been voted on electronically and can be publicly accessed on the Governance Information System on the Web ([http://www.governance.vt.edu](http://www.governance.vt.edu)).

3. **New Business**

**Commission on Undergraduate Studies and Policies**
Resolution CUSP 2018-19B
Resolution to Approve New Major, Studio Art, in Bachelor of Fine Arts

**Commission on Undergraduate Studies and Policies**
Resolution CUSP 2018-19C
Resolution to Approve New Major, Creative Technologies, in Bachelor of Fine Arts

**Commission on Undergraduate Studies and Policies**
Resolution CUSP 2018-19D
Resolution to Approve New Major, Graphic Design, in Bachelor of Fine Arts

Kerry Redican presented these resolutions for first reading. Having these majors will allow students to have their specialized area of study displayed on their diplomas, and will increase marketability and help prepare
students for careers in those fields. Dr. Redican introduced Dr. James Jewitt from the School of Visual Arts to answer any questions.

4. Announcement of Approval and Posting of Commission Minutes

These minutes have been voted on electronically and will be posted on the University web (http://www.governance.vt.edu). Note that the purpose of voting on Commission minutes is to accept them for filing. University Council By-laws require that policy items be brought forward in resolution form for University Council action.

- Commission on Graduate and Professional Studies and Policies
  October 2, 2019

- Commission on Undergraduate Studies and Policies
  October 14, 2019

5. Presentation

Sharon Kurek, Executive Director of Audit, Risk and Compliance, gave a presentation on compliance and risk management (presentation attached).

6. Adjournment

There being no further business, a motion was made to adjourn the meeting at 4:11 p.m.
November 4, 2019

Enterprise Risk Management and Institutional Compliance at Virginia Tech

Sharon M. Kurek, CPA, CFE, MBA
Executive Director of Audit, Risk, and Compliance
AGENDA

1. ERM Overview
2. Enterprise Risk Landscape
3. Institutional Compliance
4. Ongoing Vision of VT’s ERM program
ERM DEFINED

A process applied in strategy-setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risk to be within the entity’s risk tolerance, and support the achievement of entity objectives.

**Board roles**
- Oversee/approve risk management process (Audit Committee)
- Link strategic risk oversight to full Board or Board committee
- Receive reports of strategic risk assessment (Full Board or Audit Committee)

**Senior leaders’ roles**
- Recommend the risk management process
- Conduct a session to identify strategic risks
- Receive reports on those risk assessments and report strategic risks to the Board
- Define who the risk owners are (ability to make risk tolerance decisions)
- Oversee other risk assessments (operating, financial and compliance)

Source: Baker Tilly
PRIMARY DRIVERS FOR ERM

Impact on Organizational Goals

1. Increase Risk Profiles
2. Increased Expectations
3. Higher Consequences
GOVERNANCE

Per charter, BOV Audit Committee had responsibility to:

- Review risk management efforts including the program structure and the processes for assessing significant risk exposures and the steps management has taken to monitor and control such exposures, as well as the university's risk assessment and risk management policies
- Assure compliance with applicable laws and regulations and monitor the results of the compliance efforts

OVERALL SCHEV PEER GROUP

56% of SCHEV peers had a centralized approach to compliance (similar for ERM)

2001

2015

2016-17

2017

INTERNAL AUDIT

President Sands requested an assessment of VT’s compliance program. Areas identified as opportunities for improvement included:

- Governance and accountability
- Risk assessment and monitoring (subset of ERM)
- Incident management and reporting
- Education and communication of ethical standards

GOVERNANCE

BOV changed governance structure that created the Compliance, Audit, and Risk Committee.

President Sands announced the implementation of an Enterprise Risk Management (ERM) program to holistically review and assess the university’s risk environment.
ERM COMMITTEE STRUCTURE

**ERM COMMITTEE (EXECUTIVE STAFF+)**
- Set the university’s risk appetite
- Contribute to the assessment of risks along with risk mitigation plans
- Provide guidance on how to report key risks to the board
- Incorporates information from the ERM program in strategic decision making and to effectively allocate resources.

**RISK ADVISORY COMMITTEE (PLT)**
- Identifies and assesses risks to identify the university’s top strategic risks
- Individual members identify risks in their areas of operation and bring them to the PLT for evaluation
- Ensures appropriate ownership and accountability of risks including development of risk mitigation plans
1. **Systemic and existential risks** are uncontrollable risks that impact all of higher education and what many institutions refer to as “business model” risks.

2. **Institutional risks** are idiosyncratic to an organization and are generally caused by the inability to fulfill an institutional objective.

3. **Unit-level risks** are also idiosyncratic to an organization but generally relate to an existing, broken process.
RESIDUAL RISK ASSESSMENT

Residual (Net) Risk: The result of an assessment of the potential "impact" and "likelihood" of a risk after taking into account the effectiveness of the controls and other mitigations put into place to manage the risk.

<table>
<thead>
<tr>
<th>IMPACT</th>
<th>Level</th>
<th>Risk description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - insignificant</td>
<td>No impact on reputation</td>
<td>No potential impact on enrollment/market share</td>
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<td></td>
<td>No potential impact on the retention/recruitment of faculty</td>
<td>No potential impact on overall research funding</td>
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<td></td>
<td>Responsibility of junior management and staff to resolve</td>
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<tr>
<td>2 - Minor</td>
<td>Consequences can be absorbed under normal operating conditions</td>
<td>Local impact on reputation</td>
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<tr>
<td></td>
<td>Potential negative impact on image, enrollment</td>
<td>Potential negative impact on retention/recruitment of faculty</td>
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<tr>
<td></td>
<td>Little impact on overall research funding</td>
<td>Responsibility of middle management to resolve</td>
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<tr>
<td>3 - Moderate</td>
<td>State-wide impact on reputation</td>
<td>Enrollment of students or image will be affected in the short-term</td>
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<tr>
<td></td>
<td>Recruitment and retention of faculty will be affected in the short-term</td>
<td>Loss of research funding for X-X grantees</td>
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<td></td>
<td>Responsibility of senior and middle management to resolve</td>
<td></td>
</tr>
<tr>
<td>4 - Major</td>
<td>Adverse impact on university reputation at the regional level</td>
<td>Accreditation is threatened</td>
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<tr>
<td></td>
<td>Long term reduction in enrollment</td>
<td>Ability to retain and recruit faculty</td>
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<td></td>
<td>Significant loss of research funding from multiple grantees resulting in curtailment of major sponsored programs</td>
<td>Responsibility of the Board and senior management to resolve</td>
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<tr>
<td>5 - Critical</td>
<td>Loss of accreditation</td>
<td>National / Global impact on reputation</td>
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<tr>
<td></td>
<td>Significant reduction in enrollment</td>
<td>Ability to retain and recruit faculty</td>
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<tr>
<td></td>
<td>Revocation of sponsored research funding across the institution</td>
<td>Responsibility of the Board and the President to resolve</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROBABILITY (Likelihood of Occurring)</th>
<th>Level</th>
<th>Risk description</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - infused</td>
<td>Event may only occur in exceptional circumstances</td>
<td>0-5%</td>
<td></td>
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<tr>
<td>2 - Unlikely</td>
<td>Event could occur at some time</td>
<td>6-35%</td>
<td></td>
</tr>
<tr>
<td>3 - Moderate</td>
<td>Event should occur at some time</td>
<td>36-65%</td>
<td></td>
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<tr>
<td>4 - Likely</td>
<td>Event will probably occur in most circumstances</td>
<td>66-95%</td>
<td></td>
</tr>
<tr>
<td>5 - Almost certain</td>
<td>Event is expected to occur in most circumstances</td>
<td>96-100%</td>
<td></td>
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</tbody>
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<thead>
<tr>
<th>VELOCITY (Speed of Onset)</th>
<th>Level</th>
<th>Risk description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Slow</td>
<td>Very slow onset; longer than 9 months to impact after occurrence</td>
<td></td>
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<tr>
<td>3 - Medium</td>
<td>Medium onset; between 3 to 9 months; Limited time for reaction and response planning</td>
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<tr>
<td>5 - Rapid</td>
<td>Very rapid onset; little or no warning, instantaneous; within 3 months after occurrence</td>
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Updated Enterprise Risk Heat Map

November 2019

Graph Legend

<table>
<thead>
<tr>
<th>Number</th>
<th>Risk</th>
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<tbody>
<tr>
<td>1</td>
<td>Socio-Political Environment</td>
</tr>
<tr>
<td>2</td>
<td>Tuition Dependency</td>
</tr>
<tr>
<td>3</td>
<td>Legal &amp; Regulatory</td>
</tr>
<tr>
<td>4</td>
<td>Leadership &amp; Governance</td>
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<tr>
<td>5</td>
<td>Federal &amp; State Funds</td>
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<tr>
<td>6</td>
<td>Enrollment Management</td>
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<tr>
<td>7</td>
<td>Athletics</td>
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<tr>
<td>8</td>
<td>Faculty &amp; Staff Recruitment &amp; Retention</td>
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<tr>
<td>9</td>
<td>Expanding Physical Footprint</td>
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<tr>
<td>10</td>
<td>Safety &amp; Security</td>
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<tr>
<td>11</td>
<td>Title IX</td>
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<tr>
<td>12</td>
<td>Research Compliance</td>
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<tr>
<td>13</td>
<td>IT Security &amp; Operations</td>
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<tr>
<td>14</td>
<td>Global Engagement</td>
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<tr>
<td>15</td>
<td>Resource Management</td>
</tr>
<tr>
<td>16</td>
<td>Competitive Growth</td>
</tr>
<tr>
<td>17</td>
<td>Integrity &amp; Conflicts of Interest</td>
</tr>
<tr>
<td>18</td>
<td>Advancement</td>
</tr>
<tr>
<td>19</td>
<td>Infrastructure &amp; Facilities</td>
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<tr>
<td>20</td>
<td>Partners</td>
</tr>
<tr>
<td>21</td>
<td>Evolving Pedagogy &amp; Delivery</td>
</tr>
<tr>
<td>22</td>
<td>Diversity &amp; Inclusion</td>
</tr>
<tr>
<td>23</td>
<td>Disaster Recovery &amp; Business Continuity</td>
</tr>
<tr>
<td>24</td>
<td>Restricted Research</td>
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<tr>
<td>25</td>
<td>Endowment Income</td>
</tr>
<tr>
<td>26</td>
<td>Student Experience</td>
</tr>
<tr>
<td>27</td>
<td>Academic Quality</td>
</tr>
<tr>
<td>28</td>
<td>Alumni &amp; Friends</td>
</tr>
<tr>
<td>29</td>
<td>Accreditation</td>
</tr>
<tr>
<td>30</td>
<td>Intellectual Property</td>
</tr>
</tbody>
</table>

Impact vs. Likelihood vs. Velocity
Updated Enterprise Risk Landscape
November 2019

ACADEMIC
- Enrollment Management
- Leadership & Governance
- Socio-Political Environment
- Tuition Dependency
- Research Compliance
- Expanding Physical Footprint

CAMPUS CULTURE AND CLIMATE
- Athletics
- Legal & Regulatory
- Federal & State Funds
- Competitive Growth
- Safety & Security

EXTERNAL ENVIRONMENT
- Partners
- Resource Management
- Integrity & Conflicts of Interest
- IT Security & Operations

FINANCIAL
- Alumni & Friends
- Advancement
- Restricted Research
- Intellectual Property

RESEARCH
- Academic Quality
- Student Experience
- Accreditation
- Endowment Income
- Disaster Recovery & Business Continuity

UNIVERSITY OPERATIONS
- Global Engagement
- Evolving Pedagogy & Delivery
- Diversity & Inclusion
- Alumni & Friends
- Advancement
- Intellectual Property

REPUTATIONAL / COMPLIANCE
RISK AREA – COMMITTEE ALIGNMENT

**Academic, Research, and Student Affairs**
- Academic Quality
- Accreditation
- Competitive Growth
- Diversity & Inclusion
- Enrollment Management
- Evolving Pedagogy & Delivery
- Faculty & Staff Recruitment & Retention

**Compliance, Audit, and Risk**
- Global Engagement
- Integrity & COI
- Intellectual Property
- Research Compliance
- Restricted Research
- Student Experience
- Legal & Regulatory
- Socio-Political Environment
- Title IX

**Finance and Resource Management**
- Advancement
- Endowment Income
- Federal & State Funds
- Resource Management
- Tuition Dependency

**Governance and Administration**
- Athletics
- Disaster Recovery & Business Continuity
- Faculty & Staff Recruitment & Retention
- Infrastructure & Facilities
- IT Security & Operations
- Leadership & Governance

**Buildings and Grounds**
- Safety & Security

**Board Level**
- Expanding Physical Footprint
- Partners
ERM PROGRAM ELEMENTS AFTER INITIAL CYCLE

- Risk Identification and Assessment – Top 30
- Three Tabletop Exercises with Leadership
- Risk Snapshots developed by Risk Owners
- Periodic Reporting to OARC and ERM Committees
- Risk Owners Periodically Brief Board of Visitors
- Periodic Evaluations of ERM Program for Continuous Improvement
“Virginia Tech is committed to integrity, a culture of compliance, and the promotion of the highest ethical standards for all employees.”

President Tim Sands
INSTITUTIONAL COMPLIANCE

A comprehensive program that helps institutions and their employees:

- Conduct operations and activities ethically, with the highest level of integrity
- Comply with legal and regulatory requirements
- Achieve accountability and transparency in all institutional operations

Compliance is a risk that should be evaluated and responded to using a framework similar to a broader ERM structure.
8 Elements of an Effective Compliance Program

- High-level personnel exercising oversight
- Written policies and procedures
- Training and Education
- Lines of Communication
- Well publicized disciplinary guidelines
- Internal compliance monitoring
- Response to detected offenses
- Perform periodic compliance risk assessments

*Per the Federal Sentencing Guidelines and the Higher Education Compliance Alliance (HECA)*
Institutional Compliance Program

A multi-functional approach:

- Institutional compliance function (Office of Audit, Risk, and Compliance)
- Executive Compliance Committee (ECC)
- President’s Leadership Team (PLT)
- Compliance Advisory Committee (CAC)
- Distributed university-wide compliance owners
ICP SUMMARY

- The Compliance Advisory Committee’s (CAC) and OARC developed and reviewed the compliance matrix
- Distributed university-wide compliance owners completed reviews regulations in Compliance System for accuracy and completeness
- OARC adjudicated over 400 recommended edits to the compliance matrix
- OARC and BAMS IT developed compliance risk assessments capability in online Compliance System
- In process of rolling out the compliance risk assessment process to distributed university-wide compliance owners
- The external “Hokie Hotline” launched and working with University Relations staff to develop a plan to increase awareness of the new Hokie Hotline and broader compliance efforts
WHAT COMES NEXT—2020 AND BEYOND

- Review and Identification of Risks – What Has Changed?
- Narrowing Focus to Key Risk Areas
  - Continued Tabletop Exercises
  - Reporting and Presentations to Leadership
- Ongoing Updates
- Planned Review Cycles
QUESTIONS?