

**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>).

**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

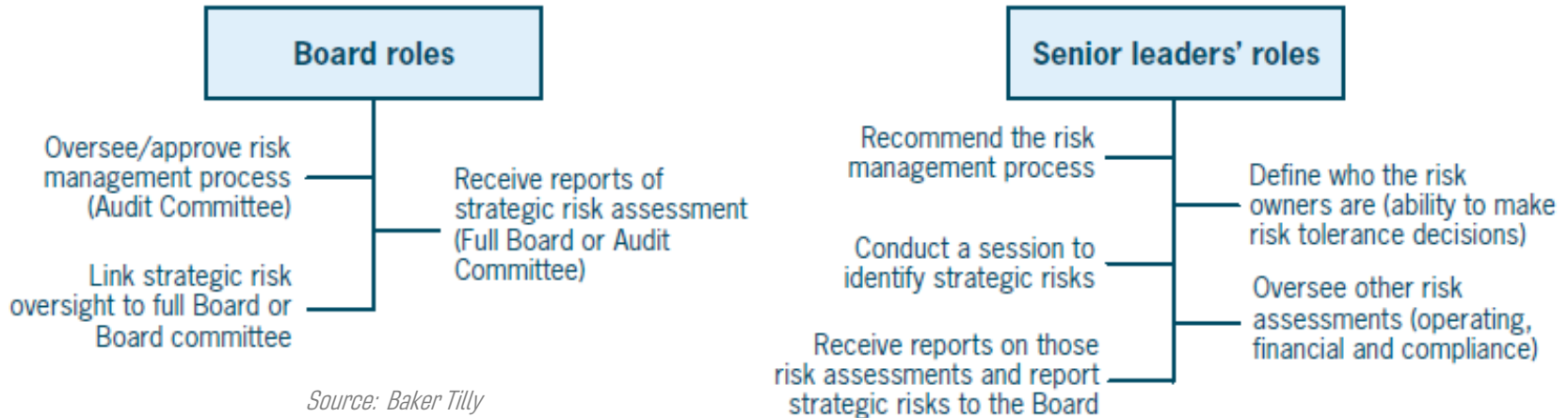


# AGENDA

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.



# PRIMARY DRIVERS FOR ERM

## Impact on Organizational Goals

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

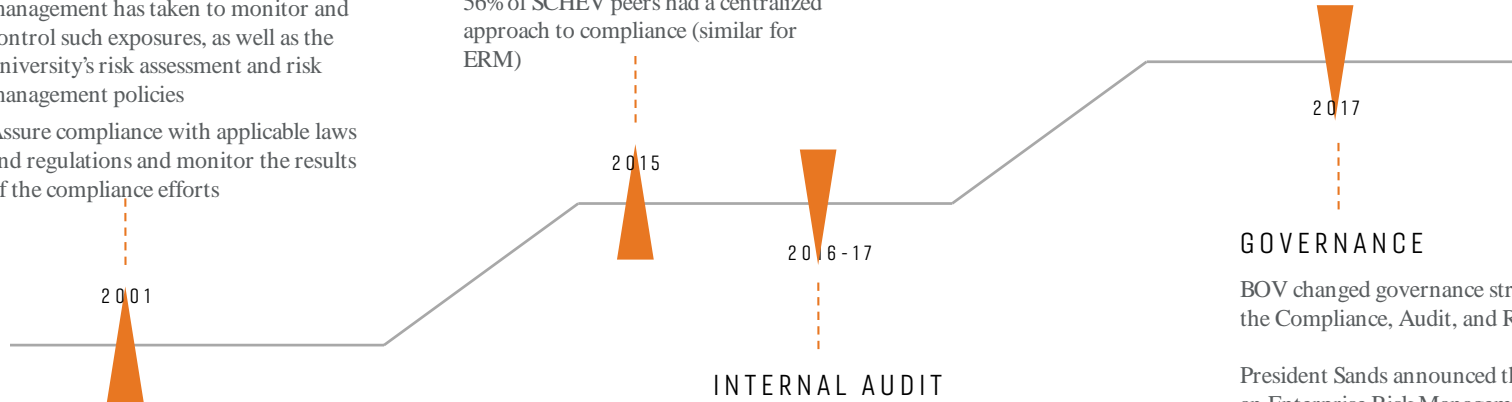
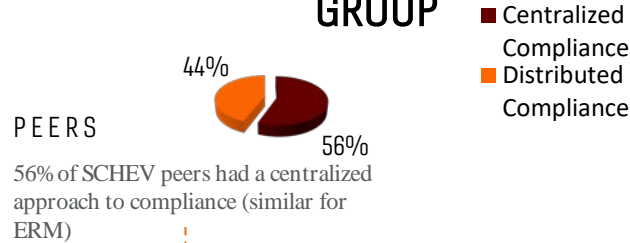
# BACKGROUND

## 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



## 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



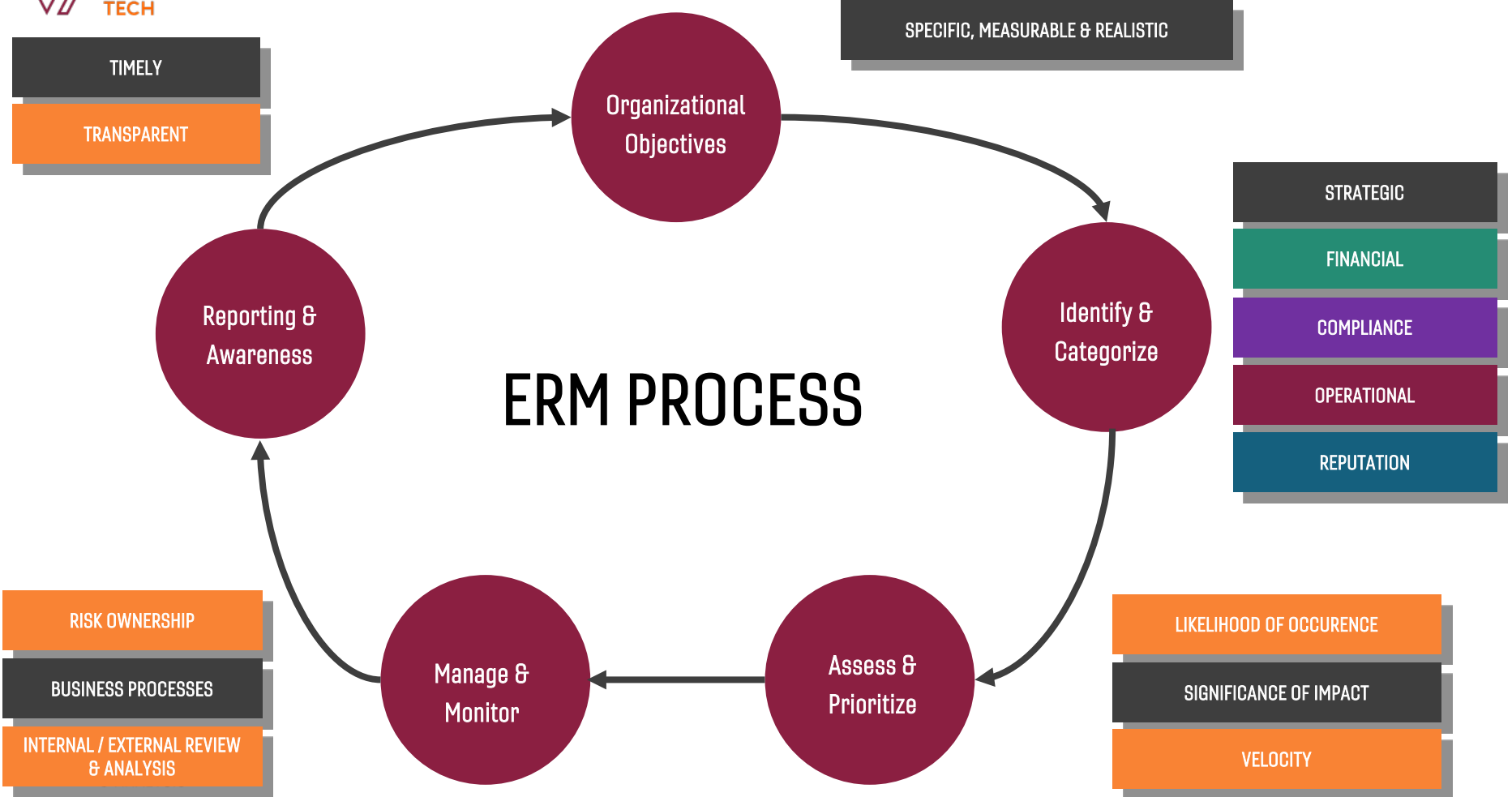
## ERM COMMITTEE (EXECUTIVE STAFF+)

- 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





# ALTITUDE OF RISK

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

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

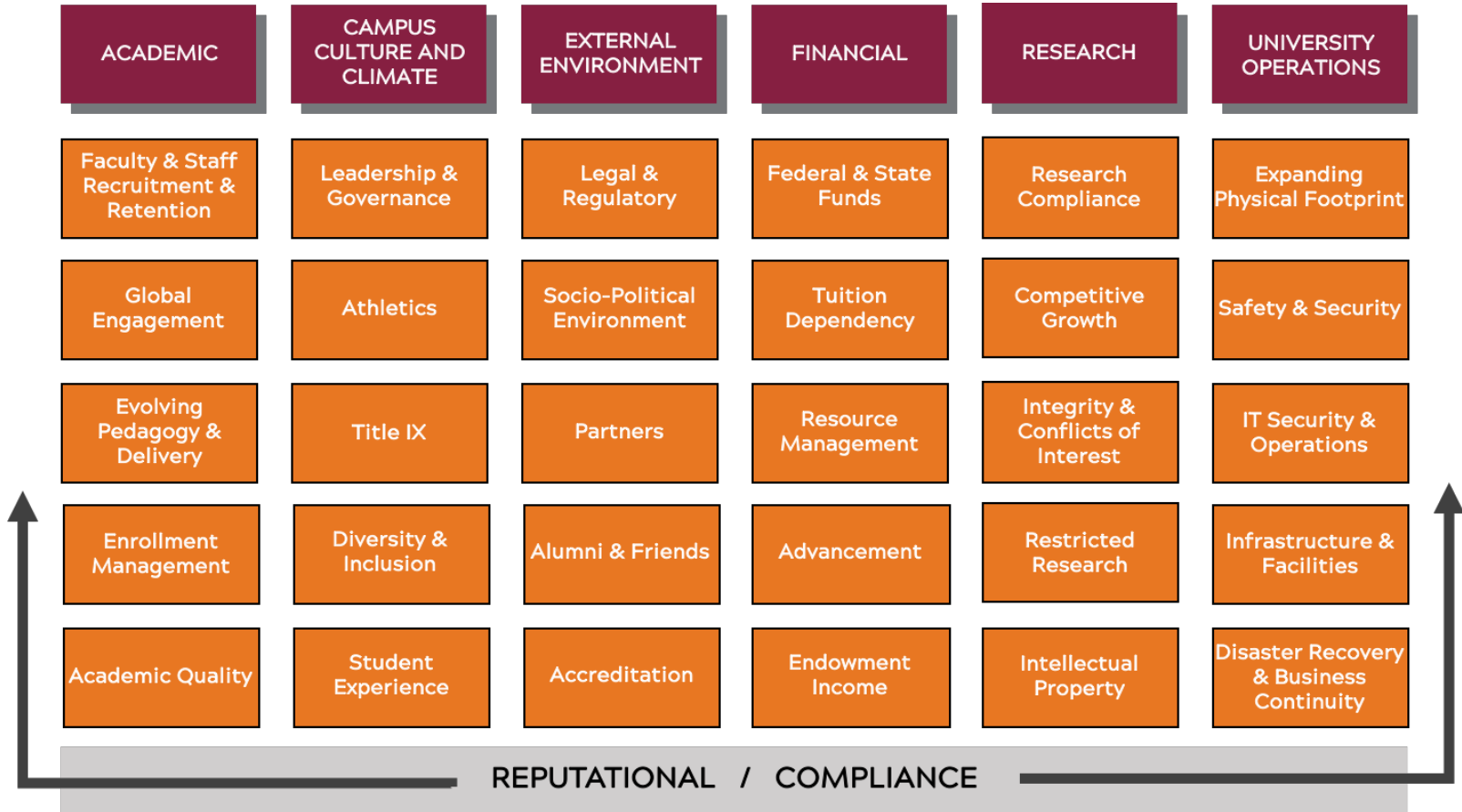
**Residual (Net) Risk:** The result of an assessment of the potential "impact" and "likelihood" of a risk after taking into account the effectiveness of the controls and other mitigations put into place to manage the risk.

PROBABILITY (Likelihood of Occuring)		
Level	Risk description	Probability
1 - Remote	Event may only occur in exceptional circumstances	0-5%
2 - Unlikely	Event could occur at some time	6-35%
3 - Moderate	Event should occur at some time	36 - 65%
4 - Likely	Event will probably occur in most circumstances	66-95%
5 - Almost certain	Event is expected to occur in most circumstances	96 - 100%

VELOCITY (Speed of Onset)	
Level	Risk description
1 - Slow	Very slow onset; longer than 9 months to impact after occurrence
3 - Medium	Medium onset; between 3 to 9 months; Limited time for reaction and response planning
5 - Rapid	Very rapid onset; little or no warning, instantaneous; within 3 months after occurrence

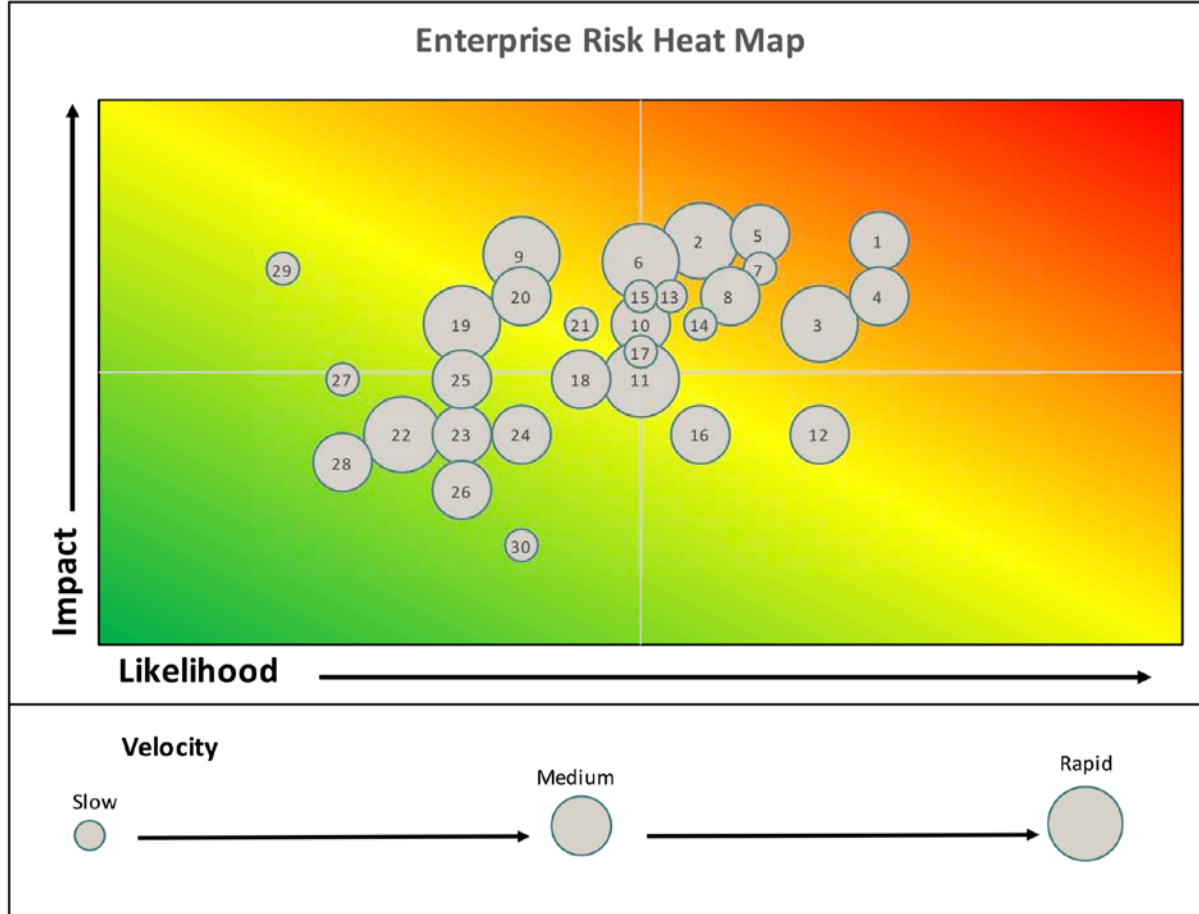
# Enterprise Risk Landscape

March 2018



# Enterprise Risk Heat Map

March 2018

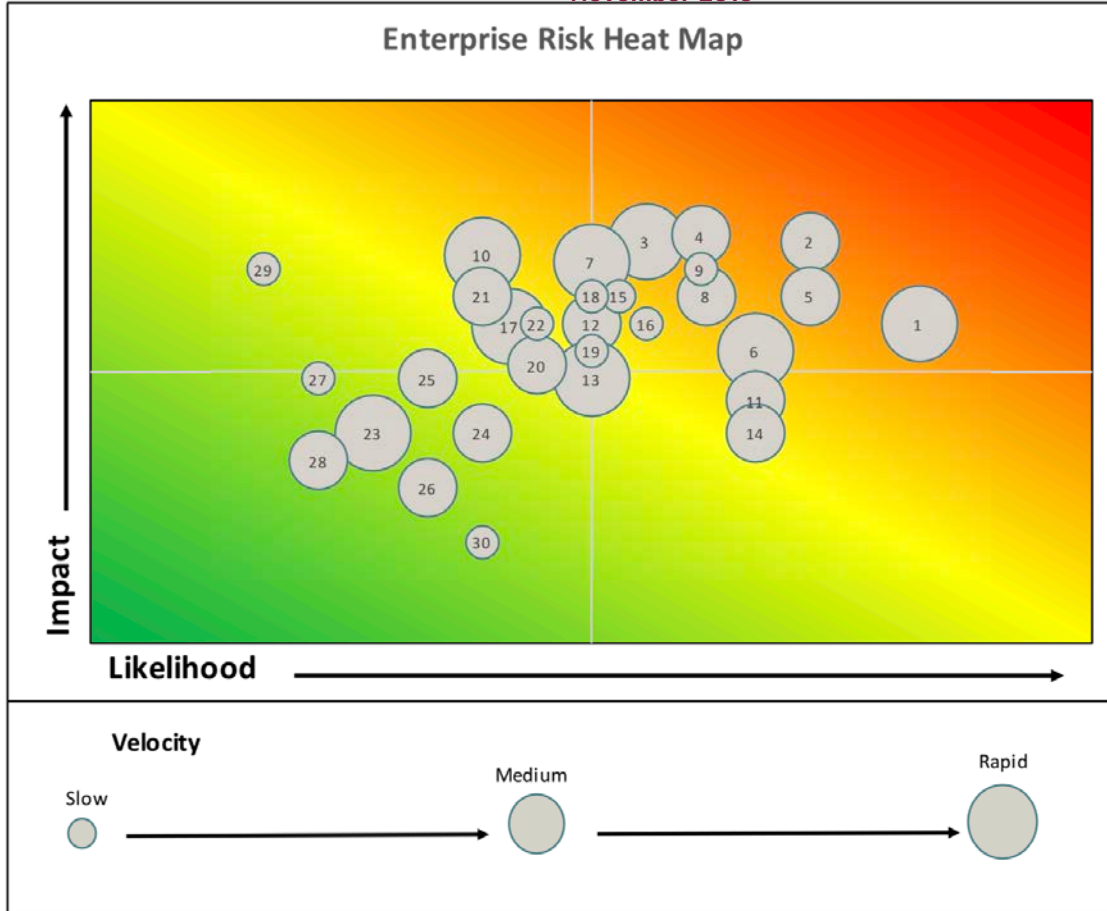


## Graph Legend

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

# Updated Enterprise Risk Heat Map

November 2019

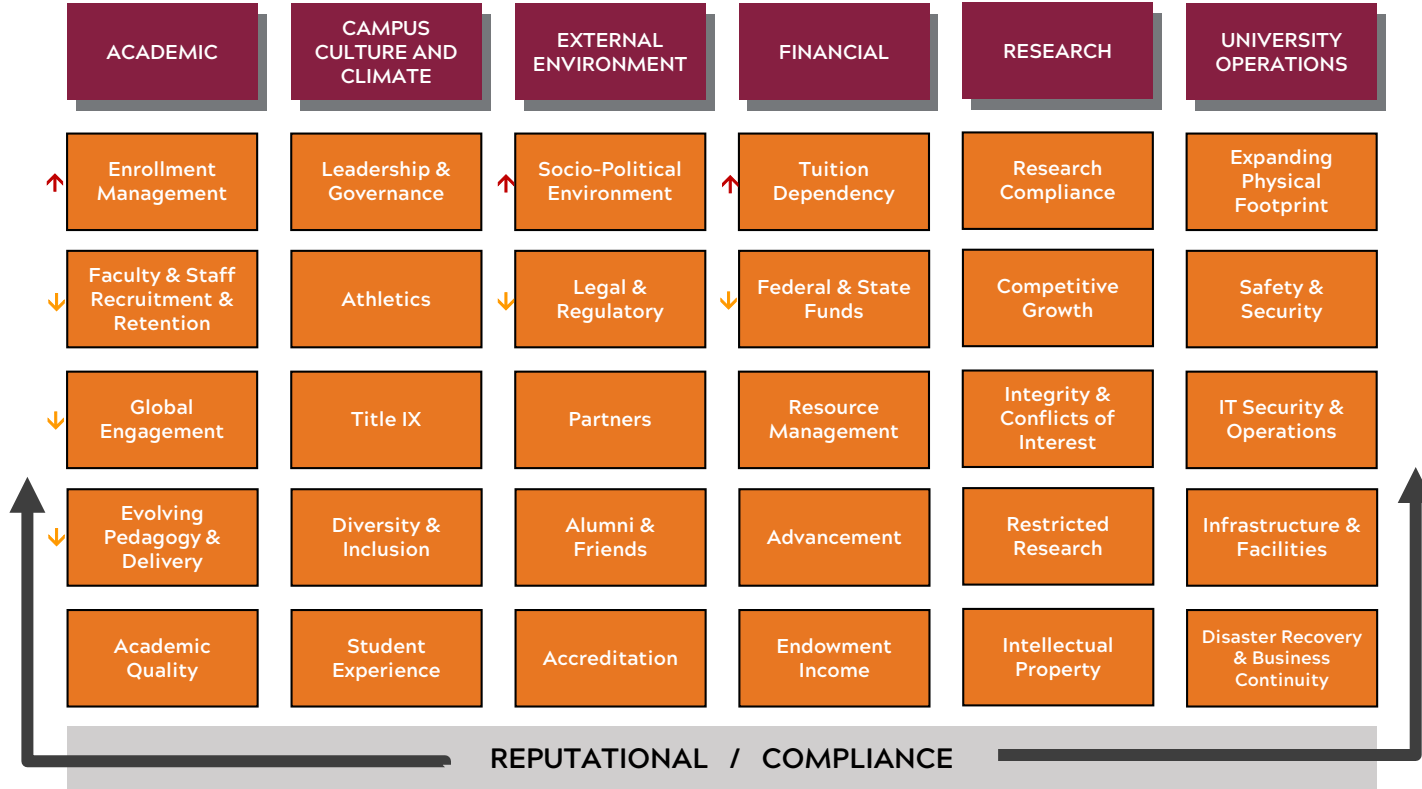


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# Updated Enterprise Risk Landscape

November 2019



# 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*
- *Global Engagement*
- *Integrity & COI*
- *Intellectual Property*
- *Research Compliance*
- *Restricted Research*
- *Student Experience*

## ***Buildings and Grounds***

- *Safety & Security*

## ***Board Level***

- *Expanding Physical Footprint*
- *Partners*

## ***Compliance, Audit, and Risk***

- *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*



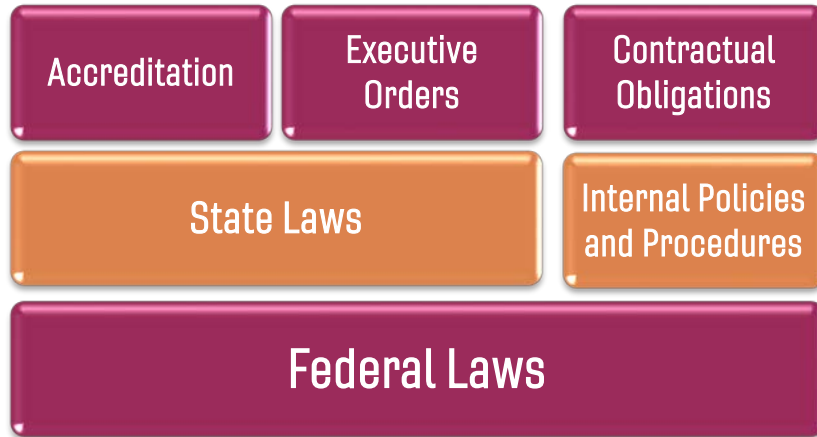
# ERM PROGRAM ELEMENTS AFTER INITIAL CYCLE

- 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

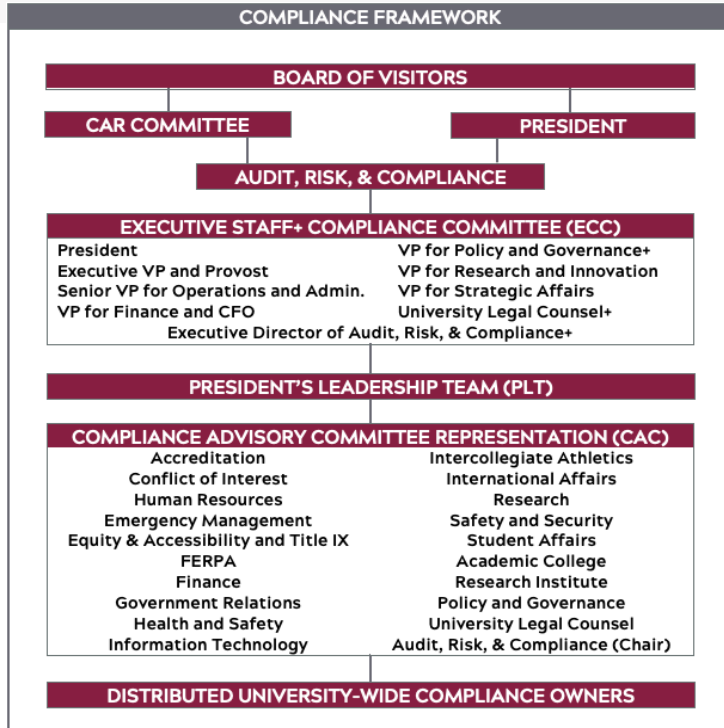
Internal compliance  
monitoring

Response to detected  
offenses

Perform periodic  
compliance risk  
assessments

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

# INSTITUTIONAL COMPLIANCE FRAMEWORK



## 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?