

Risk Reporter

for Educational Facilities

Spring
2014

Vol. 2
issue 1

A tri-annual publication by Church Mutual Insurance Company

Proper controls can limit problems with fraud and embezzlement

School fraud and embezzlement cases are an all-too-common problem. In the last few months alone, San Francisco school district employees were charged with embezzling \$15 million, a Chicago technology coordinator embezzled \$420,000 in a decade-long fraudulent billing scheme and Virginia employees — including a middle school principal — were accused of embezzling as much as \$100,000.

But that doesn't mean your school is helpless to prevent a similar incident. Good procedures, vigilant oversight and expert assistance can all help keep your school from making the headlines.

Common underlying problems

According to the Association of Certified Fraud, the average organization loses 5 percent of revenues to fraud and abuse.¹

Often, what starts out as something small and opportunistic or crisis-driven leads to bigger things. "Most people who work at schools have a heart for the organization — they don't go in with an intent to steal," said Vonna Laue, a partner with CapinCrouse in Brea, Calif., a company that specializes in nonprofit accounting and advising. "But then their spouse loses their job or they have a medical problem. They 'borrow' money from the school, intending to pay it back, then either struggle to do so or realize no one notices and commit fraud repeatedly."

A variety of issues can make schools vulnerable to fraud: they can be too trusting, they have a small staff and people handling money may have limited financial expertise.

Steps that can help

Design good controls. "If someone decides to steal from your school, good controls provide an extra layer of security they have to get past," said Terry Cutter, who runs the business office at Linfield Christian School in Temecula, Calif.

Most schools benefit from the help of an expert, typically a certified public accountant (CPA). "If your controls are designed well, your in-house staff, without significant financial expertise, can handle 90 percent of the accounting and an expert can help with the other 10 percent," Laue said.

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¹http://www.osc.state.ny.us/localgov/pubs/red_flags_fraud.pdf

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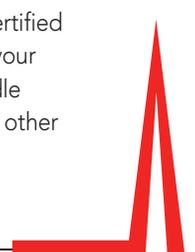
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(Fraud and embezzlement)

One caution: make sure the person you hire has experience working with schools. "A small business is quite different than a school," Laue said.

At Linfield Christian the board is involved in setting and validating internal controls. "We have board members with strong financial skills," Cutter said. "They'll come in on a random basis and ask to review a few transactions. It's a great check of our controls."

Segment duties. "You never want the same person to handle two consecutive steps of money handling," said Charles Zech, economics professor and director of the Center for the Study of Church Management at the Villanova School of Business in Villanova, Penn. "For instance, the person who collects the checks shouldn't also deposit them; the person who reconciles the checkbook shouldn't be the person who wrote the checks."

"There are three basic components of good internal controls: custody of assets, record keeping and approval/authorization," Laue said. "One person shouldn't have access to all three elements. Just take away one of the steps and you've made a critical difference in your organization's controls with very little effort and it doesn't require a big jump in staffing."

Cutter manages his school's finances with a staff of four: himself (he's a CPA), an assistant manager/HR (also a CPA), a payroll clerk and an accounts payable person. "We have a third-party service to help with the collection of tuition and our tuition payment plans are done via ACH," Cutter said. "Not having to deal with a lot of checks has been very helpful from a personnel and control standpoint."

Limit the number of checking accounts. "Most schools have many different groups with some role in handling money," Zech said. "They might need their own budget line item but they don't need their own checking account. I've been to places where the organization had eight check books — that's way too many and opens you up to abuse."

"Protect your EIN (employer identification number)!" Laue said. "You want to make sure groups on campus are not opening their own school bank accounts without your knowledge."

Require documentation. "Don't ever reimburse anyone without documentation," Zech said. "Be consistent and eventually any resistance to this requirement will disappear."

Train anyone with a cash handling function. Field trips, fundraisers, lunch money, snack bars and athletics: The average school has a lot of people with a role in handling cash. Work with your financial expert to develop steps for every cash-handling task and make sure all involved staff and volunteers receive training. Linfield Christian has a written policy manual that's reviewed at hiring and annually after that.

For events where a lot of cash will be on site — like a football game — develop policies that ensure cash is locked in the school safe on a regular basis.

Demand more than one signer for large checks. This check and balance helps minimize the potential for big problems. What constitutes "large" will depend on the size of your school and its typical needs. Set a defined limit and stick to it.

Conduct regular external audits. "Have an audit at least once a year," Zech said. "A random audit can be especially effective for weeding out problems with fraud and collusion. If you've never done this before, you might get a lot of pushback. Staff might think 'Why is this necessary — don't you trust me?'"

Position procedures and audits as protecting the school and its staff. "Good controls help protect people from false accusations," Laue said.

"During the audit, we'll say 'Walk us through your processes,' and we sometimes find that people aren't following all the steps," Laue said. "Often, it's completely innocent — they didn't understand why the step was necessary so they didn't bother. Audits are a critical tool for risk management."

Consider using financial reporting. "Audits provide a snapshot of the past, but financial reporting helps you plan and budget for the future," Laue said.

"On a monthly basis, compare your budget to your actual results," Cutter said. "You can find a lot in these monthly reviews if you're paying attention: You can't be on auto pilot."

A special challenge: Scrip. If your school has a scrip program that uses gift cards — rather than an online system — you could be vulnerable to fraud. "Schools don't tend to have good protections in place," Laue said. "I know of a situation where someone outside the school came in and bought \$1000 worth of scrip with a bad check. I'd recommend these purchases only go to school families."

Monitoring is critical

No system is foolproof and constant monitoring is key. "A change in personnel or technology are excellent times to determine your current systems are still appropriate," Laue said.

"The world is changing constantly," Cutter said. "We try to keep on top of trends and develop policies that reflect them."

Recognize that ignorance isn't bliss

Financial problems don't always indicate a crime has occurred. "We had a bookkeeper who hadn't paid the Social Security contribution for seven years," Zech said. "She thought nonprofits didn't have to. Proper controls would have prevented this."

Think you can't afford financial services? Consider the alternative. "The cost for these services is much lower than the cost of fraud," Laue said. "Work with your board to assure they understand the importance of training and financial oversight and allocate funding."





Preventing injuries to students and staff

With the school year about to end, now is a good time to take a look at your organization's accident record over recent semesters. Accidents, injuries, and near-miss situations provide valuable insight into areas where additional safety efforts might be needed during the next school year. Look for trends in losses and determine what can be done to help prevent future claims.

Church Mutual has been tracking and analyzing losses for educational facilities we insure. In a study of claims submitted during 2013, we found that injuries to students and guests accounted for 25 percent of the total claim volume for educational facilities, and that slip-and-fall injuries stood out as the number one cause. The vast majority of slip-and-fall injuries to students occurred during activities, such as basketball, soccer or other organized games. Our findings emphasize the importance of reviewing potential slip-and-fall exposures and controls when planning group activities.

Injuries to employees accounted for more than 47 percent of the total claim volume.

Slip-and-fall incidents were the leading cause of injury to administrators, foodservice employees, maintenance staff, support staff and teachers. Our claim analysis supports the need for educational facilities to provide training to all employees on slip-and-fall prevention and to conduct periodic safety surveys of your facilities to look for and correct potential slip-and-fall exposures.

Church Mutual's Safety Resources web page provides an online source for safety information to help organizations address slip-and-fall exposures and controls. Resources include videos, self-inspection checklists, a return-to-work program, posters and more. To gain quick access to these and other safety materials, visit our website at www.churchmutual.com and click on Safety Resources.

Edward A. Steele
Risk Control Manager

Staff Lounge

Keep field trips safe and fun

As the school year comes to a close, off-campus field trips are a common occurrence. These steps can help ensure trips are worry-free and enjoyable for all.

Plan in advance. The Portland Public School (PPS) district in Oregon requires staff to fill out a field trip form before a day trip and to plan overnight travel with the support of the district's risk management team.

For day trips, staff share destination, departure/return times, phone number of lead adult, number of students, adults designated to perform first aid/CPR, transportation method and chaperones' names and phone numbers.

Require permission slips. A copy of the Church Mutual parent/guardian consent form is available to Church Mutual customers in the Safety Resources section at www.churchmutual.com.

Have suitable chaperone levels. "The ratio depends on the age/abilities of the students," said Philip March, senior risk specialist for PPS. "At the elementary level, it's 10 students to one adult."

No adult should be alone with a student: state this explicitly.

Plan for students with special needs. The PPS district recommends the following: call the site ahead of time to determine access; learn if the student will require additional help — including for bathroom breaks — and adjust the adult/student ratio accordingly; plan for use of assistive devices and follow appropriate medical protocols (feeding, medication, seizures, allergies).

Screen volunteers. All volunteers should be subject to a background check, proof of which should be with the office.

Monitor driver/vehicle safety. If staff and parents transport children, require each driver to provide a copy of a valid driver's license and the declaration page of their vehicle insurance. They should also agree, in writing, not to call/text while driving. Many states prohibit the use of 12–16 passenger vehicles to transport students as they're prone to rollovers.

Have contact information. A staff member should have the following for each student: parent/guardian contact information, medical restrictions and/or allergy information. Expect all adults to carry a cell phone; the lead staff member should have a list of adult cell numbers. If adults transport students, they should have contact information for the school, the children they're overseeing and emergency resources (like a tow truck).

Spell out student code of conduct. "Let students know they must follow the same code of conduct they'd be held to at school, as spelled out in the student handbook," March said. "Have them sign an agreement that clearly states they understand expectations."

Balancing security and pomp at your commencement

Graduation is a time for family and friends to celebrate their student's hard work, and they expect a memorable celebration that's secure and enjoyable. That might seem like a tall order, but with careful advance planning, your school can pull off a special day that's safe and relatively hassle-free.

Get the right people involved — both in- and outside the university. Regardless of whether commencement is on campus or off, involve faculty, staff, student organizers and all local authorities and response agencies: police, fire and medical personnel. If your celebration is off-site, include venue staff in your planning and rely on the expertise of their security team. "They'll already know the ins and outs of managing their building," said Brian Kenny, director of campus public safety and security at Gonzaga University in Spokane, Wash., whose commencement is held at a local stadium. "Share what you'd like the event to look like and ask each of these groups what's practical and feasible."

Develop a disaster plan and have an ambulance and paramedics on site the day of the event.

Decide if commencement will be open or closed. An open celebration means anyone can attend; closed means tickets and limited numbers. Venue size and a high-security speaker typically drive this decision.

Spell out areas of responsibility. "Don't leave anything to chance," Kenny said. "Develop a list of tasks and assign them to specific people. Divide the venue into geographic zones and determine who will be responsible for them."

Survey the venue and limit access when appropriate. "Look at the avenues for entrance and exit, the staging areas for speakers and graduates, the paths of travel, and isolated areas that you want to limit access to," Kenny said.

Stop people from getting into certain areas with physical barriers or by requiring a specific ID (e.g., a color-coded badge system).

Prepare for high-profile speakers. "When Desmond Tutu was our commencement speaker, that took things to a different level," Kenny said.

For instance, no one was allowed to sit in certain sections of the stadium, Tutu's travel path didn't cross



ceremony attendees' and the campus and venue security teams worked with Tutu's security staff. "If your speaker doesn't have their own security team, coordinate with your local police department and have someone from your university as liaison," Kenny said.

Specify what is/isn't allowed on site. Many schools won't allow bags over 12 inches in any dimension, inspect every bag and do random metal detector scans. At Boston University, whose graduation was just weeks after the Boston Marathon bombing, guests were not allowed to bring any wrapped packages and graduates and faculty had to put their robes on at the facility. Expressly forbid alcohol, illegal drugs and weapons; other common forbidden items include noisemakers, pets, bottles/cans and fireworks/ammunition.

Use all media channels to let students and guests know the "do's and don'ts." Emails, texts, websites and newsletters are all good tools.

Communicate. Every member of the security team should have fellow team members programmed into their cell phone so group texts can be sent out as needed.

Know it's not over until it's really over. "It can be tempting to think your responsibilities end with the ceremony, but that's far from true," Kenny said. "People want to take pictures and say good-bye. Alert your team that they're expected to remain on site and watchful until they receive official notification the event is over."

Plan for assistance with people and traffic flow both into/out of the building and on nearby streets.

Make safety and security the top priorities. If you ever have to make a choice between security and convenience, always choose security.

Concussions: An increasingly common childhood concern

Childhood concussions are on the rise. A recent study showed the number of children making trips to the emergency room for a concussion doubled in 10 years,¹ and the Centers for Disease Control and Prevention (CDC) reports that those under 24 are among the ages most likely to suffer a concussion. Knowledge is key to helping prevent concussions at your school and speeding recovery if a student suffers one.

What is a concussion? The CDC defines it as a brain injury from a blow or jolt to the body or head that causes the brain to shake. This shaking can lead the brain to function abnormally and result in side effects. There isn't damage to brain structure — it can't be diagnosed with a CT scan or MRI — but rather to brain function.

Symptoms. According to the Children's Hospital of Philadelphia, about 10–20 percent of children lose consciousness with a concussion and many don't show symptoms immediately. To diagnose a concussion, doctors will test things like balance, eye movement, head and neck range of motion and neurocognitive ability. Symptoms can be physical, sleep-related, cognitive or emotional.

Common causes. "Only about 50 percent of concussions are sports-related," said Christina Master, MD, a pediatric sports medicine specialist and concussion expert from The Children's Hospital of Philadelphia. "In younger ages, we often see concussions from playground, recess and physical education injuries. Motor vehicle accidents are another big cause — whether as a passenger or pedestrian or a bicyclist being hit by a car. Everyday falls and household mishaps (often with friends or siblings) are also common."

Preventing a concussion at school. Safe playgrounds are critical. The American Academy of Orthopaedic Surgeons recommends the following: impact-absorbing surfaces like wood mulch or chips, shredded tires or sand; a well-planned layout that minimizes points of collision; and adequate adult supervision.

Plan physical education that balances fitness, safety and fun.



Helping students return to school after a concussion.

"High-achieving students often feel tremendous anxiety when they can't carry a full workload," Master said. "Create a supportive environment where students can admit they're symptomatic and take time off to recover and gradually return. This allows the recovery to take its natural course without undue academic stress which may make symptoms worse during recovery and inadvertently prolong it."

Inform staff of the student's concussion. Master recommends alerting them to likely symptom triggers, such as loud noises, bright lights or a heavy cognitive load.

While elementary students will face fewer academic pressures, the academic load quickly ramps up in most middle schools. "Medically manageable levels of schoolwork are therapeutic for recovery," Master said, "but finding the right balance can be hard."

High school can be especially difficult. "A full day of high school, with its myriad subjects requiring multitasking and a high level of executive functioning, is like a marathon for the brain," Master said. "Students need to pace themselves and it takes a high level of attention and creativity to craft a schedule to accommodate them. Your state's brain injury association can be a good resource."

Sports — a special challenge. According to Master, all states besides Mississippi have return-to-play laws on the books that require that student athletes proceed through a gradual return to play protocol supervised by a qualified healthcare professional familiar with the management of concussions. Apply the same principles to middle school sports.

- **Resource:** The Children's Hospital of Philadelphia is well known for their concussion resources. Please visit their website to learn more: <http://www.chop.edu/service/concussion-care-for-kids/home.html>.

¹<https://www.umc.rochester.edu/concussion/statistics.cfm>

Q | A

A Perspective

School medication management has become increasingly complex in recent years. Today roughly 18 percent of 12–17 year olds and 14 percent of 5–11 year olds are on regular medication¹ and 4–6 percent of all school-age children receive medication in school on a typical day.¹ And this doesn't include the 8 percent of students who have a food allergy — 40 percent of whom have a history of a severe reaction.¹ Against this backdrop, effective medication management is more critical than ever. Risk Reporter spoke with Carolyn Duff, MS, RN, NCSN president of the National Association of School Nurses (NASN) on this topic.



Risk Reporter: Who should be responsible for managing and administering medications at school?

Carolyn Duff: Schools must follow federal, state and local laws and regulations that apply to school health services. Best practice is to have a professional registered school nurse as health program manager. They're trained to recognize and plan for a variety of potential medical emergencies and problems. In some states, nurses can delegate nursing tasks, including medication administration, to non-nursing staff. The nurse must train staff and repeat this training throughout the year.

Risk Reporter: What are some critical issues regarding administration?

Carolyn Duff: Regardless of who is administering, they must follow the six rights: right medication, route, time, student, dosage and documentation.

Risk Reporter: Please discuss communication, documentation and access.

Carolyn Duff: Whenever students take medication at school, parents must provide the medications and permission forms signed by parents and prescribers. The school nurse then creates individualized healthcare plans (IHP) for the students that include a parent agreement to maintain a supply of medication and to inform the school of any changes in dosage or other health information. Medications that are controlled substances are counted and documented with parents; the nurse should verify and document the count each day. Medications should be kept in a locked cabinet. If a child requires emergency medication, the nurse notifies the parent and documents the occurrence.

Risk Reporter: What are IHPs and why are they needed?

Carolyn Duff: An IHP is developed collaboratively with parents and healthcare providers for each student with healthcare needs and includes medication administration. An emergency action plan (EAP) is also written if there is an emergency potential. The EAP is written for unlicensed staff and is a clear description of what to do if the nurse isn't available. The school nurse trains staff to implement the EAP. Teachers take copies of the plan on field trips and medications, especially emergency medications, also travel with the child.

Risk Reporter: Allergies have become a huge issue. What are critical concerns in this area?

Carolyn Duff: One big concern is having a supply of epinephrine autoinjectors. Parents are typically responsible for providing these to the school for their children with known allergies, though some states have recently passed laws allowing schools to stock epinephrine for students who have not been previously diagnosed.

Risk Reporter: How do you determine if a student can self-administer?

Carolyn Duff: State laws and district policies will dictate this. Most districts do permit students to self-carry and administer if they are competent to do so. Even if the student is allowed to self-administer, the school nurse should be involved in planning and monitoring the process.

¹https://www.nasn.org/portals/0/about/2012_The_Case_for_School_Nursing.pdf