Pre-Employment Background Screening Guideline
WHITE PAPER SUMMARY

The purpose of this white paper is to provide an understanding of background screening and to give guidance for developing a best practice background screening program.

A best practice program requires identifying your goals, implementing policies and procedures to accomplish the outcome, selecting the methods, technology and data sources to get the job done and tracking your success.

If you are interested in learning more on a best practice program, please contact:

Genesis Background Screening Services
(866) 944-0041.
Section 1: What is a Background Check

A background check is essentially an investigation into a person’s character, reputation, personal character, and mode of living. Due to the time and costs related to conducting background checks in-house, most companies opt to use an outside source known as a CRA (Consumer Reporting Agency).

CRAs carry the burden of knowing the laws and assisting the employer with staying compliant and making the proper and best decisions for the company’s needs. CRAs will assist you in tailoring screening packages to meet the requirements of each specific position within your company specifically.

These screenings may be a simple criminal history search for some positions and can be very detailed for individuals in more sensitive, high-level positions. A very detailed investigation may include the following:

- Person Search
- Instant Criminal Records Search
- County Court Criminal Records Search
- Civil Records Search
- Credit Report
- Driving Record
- Previous Employment Verification
- Professional Licenses Verification
- Education Verification
- Drug Testing
- Pre-employment Physicals
- Psychological Evaluations and Screenings

Background checks are essential in assisting employers in preventing negligent hiring liabilities. Employers are expected to hire qualified and competent applicants and ensure a safe work environment for all; a good and thorough background check can help you achieve this.

1. Person Searches
   It is common practice to run a Person Search to obtain address information to assist them in identifying applicants and in deciding what counties should be checked for possible reportable records. A Person Search will include information such as previous address and length at the address, which is exceptionally useful when compiling a complete background check.

2. Criminal Records Searches
   One of the most key components in any background check is going to be the Criminal Records Search as this is the area of most concern when ensuring your employees, customers and vendors a safe environment. A comprehensive criminal history check involves numerous sources of information.

   A criminal records search will include a person’s reportable interactions with the law that a company is permitted to consider in making their hiring decision. You as an employer need to know that there is a big difference between what a CRA can report versus what an employer can legally use when making a hiring decision. A good CRA will be familiar with the state laws that govern your decisions and be able to provide you with the appropriate legal search information.

   **County Court Records**: Courts are the source of criminal information and generally have the most complete and up-to-date criminal history available. County records usually contain information on felonies, misdemeanors, infractions and traffic violations. All of these records are available to the public and generally go back 20 – 30 years, however as mentioned above some of these records are
not to be used during your consideration of employment. Your state law will dictate what records you can and cannot use. Depending upon the state and county, some courts may offer these records on-line or you have to use a court clerk or private individual.

**State Repositories:** State databases of criminal information are compiled from the various counties within the state. Because the State Repositories information is solely based upon information submitted from the county courts, it can be inconsistent or infrequent from city to county and all levels of offenses may not be reported. Proper identification may be difficult because common identifiers may be missing from the index even if this information is public domain. Most states that have State Repositories will provide felony, misdemeanor, traffic violation, and arrest records. Some states may also make available juvenile records as well. States may give access to their records on-line or depending on the state they may be obtained in person. Please keep in mind that the State owns and maintains their own criminal databases and their state laws may restrict access to various types of records. While the identifiers and laws may make getting a complete record of an individual cumbersome to obtain and verify through the State Repository, it is useful in that it will point you to the proper county level court to obtain and verify records. It should also be noted that not all states have a State Repository, California is a good example.

**Federal Records Search:** Only federal felony and misdemeanor records are available from this source. This is a very small database of information as most criminal activity involves violations of state laws. The information from this search is obtained through PACER (Public Access to Court Electronic Records). These public domain records only go back to 1985 and because the dates of birth and social security numbers have been removed, it may make properly identifying an individual exceptionally difficult.

**Federal IAFUS System:** In order to conduct background checks, the Department of Justice (DOJ) has created an “Integrated Automated Fingerprint Identification System” (IAFIS). Currently, very few employers are authorized to obtain criminal information using the IAFIS. In addition to the long wait periods for results, the information can be inconsistent as it relies on the information provided from the state databases.

**Proprietary Databases:** Proprietary databases are privately owned and maintained by various companies and are available on-line for a fee. Most database searches will contain information from county and state records on felonies, misdemeanors and infractions, however not all records are available electronically which means that proprietary databases may not always be as current as the court records. CRA’s are required to follow the Federal Law and standards about ensuring information discovered on a database have been confirmed and is accurate. It is highly recommended that any records reported from a database be confirmed be viewing the source criminal records.

As you can see, contrary to popular belief, there is no one-stop fully comprehensive source for criminal information currently available. It takes time and know-how to locate the information needed to compile a comprehensive criminal records search. Working closely with your CRA to develop best practices will help your company ensure that the proper court levels are searched and the information you require is returned within the time and cost constraints you and your company have set for your criminal records searches.
3. Civil Records Searches

Civil Record Searches return information from civil courts that will include lawsuits as opposed to criminal charges. Civil cases can contain information on lawsuits for contractual issues or tort cases which are cases for injuries to people, property or reputation, and may also include family court and probate courts. Civil cases are brought to court by an individual or company as opposed to the government and normally involve monetary punishment as opposed to incarceration. Many civil lawsuits are not relevant or job related and therefore this is not a search that all employers will add to their background check. However, in key positions within a firm, a company may opt to run a Civil Records Search to uncover records pertaining to lawsuits that are job related such as suits for violence or dishonest behavior or suits against previous employers.

4. Credit Reports

A credit report used for employment purposes will not affect a person’s credit score and will normally contain four types of information:

1. Identifying information such as the applicant’s name, Social Security Number, and past addresses
2. Payment and credit history that shows how much the applicant has been granted, currently owes and the timeline of their payments
3. Records of others that have requested a copy of the credit report
4. Public records such as court judgments, liens and bankruptcies

Employers should make certain that there is a sound reason behind requesting credit reports and that there is a written policy in place that clearly outlines what positions and use the credit report will have in determining the eligibility of employment. Extreme caution should be used with credit reports; if there is no direct connection to the position in question, use of a credit report can be viewed as discrimination. Employers must ensure that the information within the credit report that they are using to make their hiring decision is accurate. Employers must follow the laws of the federal Fair Credit Reporting Act when using credit reports as a tool for a hiring decision.

5. Driving Records

A driving record may also be referred to as a MVR and is most commonly used in considering applicants in position that require driving. This record will include the full name, address, physical description, and date of birth along with driving status, conviction and accident history. There is currently no national database available for driving records and each state has their own laws and requirements for requesting and using the records. Information contained in these reports can be very valuable when considering an applicant for employment, but employers should exercise caution and discretion when making their hiring decision.

6. Verifications

Verifications, while an important part of any hiring decision, are much more labor intensive and expensive in nature than other types of background checks. Simply verifying an applicant’s previous employment, education, and references is a huge indicator in a person’s integrity and should be required to show your company’s due diligence in your hiring practices.

Studies have shown that approximately 30% of all job applicants falsify information about their educational and work experience. Currently the most effective way to confirm a person’s previous employment, education, etc. is to make direct contact through phone, fax or mail depending upon
the method required by the person or company doing the verification. Verifications can be handled by the employer provided they have the resources or may be outsourced to a background screening company. The verification process may be lengthy as schools have breaks and it may take time to track down the correct information on previous companies. Be patient, but diligent in your verifications as this information is key to knowing who you are hiring.

Verification services most often provided include the following:

- Verification of Employment History
- Verification of Earned Credentials/Licenses
- Education History Verification
- Verification of Military Service
- References

7. Drug Screening

According to a study conducted by the U.S. Department of Labor, drug use in the workplace costs an estimated $75 billion to $100 billion in lost time, absenteeism, accidents and on the job injuries, health care, and worker’s compensation claims each year. Sixty-five percent (65%) of all on-the-job accidents are related to drugs and alcohol. More and more companies today are requiring drug screening as part of the hiring process. By implementing and enforcing a written drug screening policy, most employers can sidestep hiring illicit drug users. All employers wishing to use drug screening as part of their hiring process should familiarize themselves with the laws governing privacy and disclosure; it is also strongly recommended that an attorney review your company’s written policy to ensure that you are within the requirements of the law.

There are two forms of testing, DOT (Department of Transportation) and Non-DOT. DOT tests must adhere to strict governmental guidelines whereas Non-DOT screens are left up to the individual employer. Most employers and DOT will use the standard 5 panel test which will test for the following substances:

- Marijuana (THC)
- Cocaine
- Phencyclidine (PCP)
- Opiates such as codeine and morphine
- Amphetamines, including methamphetamines

Non-DOT employers may elect to test for additional substances.

SUMMARY:

Background checks are an important factor in doing your due diligence in hiring the proper candidates for your company and ensuring a safe environment for your employees. Each company and position will have their own special pre-employment background screening requirements that should be outlined in a written policy that has been reviewed by attorney or your legal department.
Section 2: Why Conduct Background Checks

1. It’s Sound Business Practice

Businesses need background checks to ensure they hire the right people the first time. Achieving this goal requires a solid safe hiring program with employment screening at the core. Proper background checks will:

- Provide your business with a competitive edge though the hiring of better people
- Increase productivity
- Set your company apart, win more business, and demonstrate professionalism
- Reduce turnover and training costs
- Reduce employee related problems
- Protect company reputation and customer relations
- Comply with mandates created by state or federal law for certain industries
- Verify a candidate’s identity, ensure that they possess the work experience which they claim and confirm they hold the licenses, certificates and/or degrees required for the job.

The Society for Human Resource Managers (SHRM) has conducted various surveys on resume inaccuracies. They report that sixty one percent (61%) of HR Professionals questioned claim to find serious inaccuracies in resumes after carrying out background checks.

Over the past 10 years, background checks have significantly increased, as reported by SHRM. This is a telling example:

<table>
<thead>
<tr>
<th>Type of Check</th>
<th>1996</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Background Check</td>
<td>66%</td>
<td>82%</td>
</tr>
<tr>
<td>Criminal Record Check</td>
<td>51%</td>
<td>80%</td>
</tr>
<tr>
<td>Credit Record Check</td>
<td>19%</td>
<td>35%</td>
</tr>
<tr>
<td>Education Verification</td>
<td>51%</td>
<td>55%</td>
</tr>
<tr>
<td>DMV/MRV</td>
<td>40%</td>
<td>44%</td>
</tr>
<tr>
<td>Military Discharge Record</td>
<td>16%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Various industry studies all indicate escalating costs for worker replacement. Overtime, loss of production, recruitment, interviewing, training and the learning curve can cost employers significant money. William Mercer & Company has provided human resource solutions in over 150 cities and counties over the past 65 years. A recent Mercer study found in most cases, turnover costs a company on an average of $10,000.00 to $30,000.00 per job opening.

This is just to replace an employee without anything going wrong.

Read on and consider what could be next.
2. There Are Legal Considerations

“Due diligence” is the attention and research legally expected of a person or company. Appropriate due diligence is necessary to ensure that applicants hired do not pose foreseeable risk to others while on the job.

The standard is clearly set. The courts place expectations of proper and diligent background checks upon the employers. Courts have historically upheld this theory and will continue to do so.

Consider the following:

- A national company was sued for negligent hiring and entrustment of an intoxicated security guard. The guard had an on-duty traffic accident in a company car killing him and another motorist. The employer settled for $2.5 million out of court – Butler vs Hertz Corp.

- A service company employee with a criminal record sexually assaulted a child resulting in $1.75 million awarded for negligent hiring and retention – Doe vs MCLO

- A furniture company was found liable for $2.5 million for negligent hiring and retention. Their deliveryman attacked a customer in her home – Tallahassee Furniture Company, Inc. vs Harrison

- A customer detained by a security guard and injured while being restrained was awarded $10 million in damages in a suit against the store, claiming negligent hiring – Porter vs Proffitts

The list goes on and on and increases almost daily.

Out-of-court settlements and lawsuits for negligent hiring and retention due to workplace violence average over $500,000.00; jury verdicts in these cases average about $3 million and employers lose about sixty percent (60%) of negligent hiring cases [sources – Insurance Network of California and The Reish & Luftman Practical Guide to Employment Law].

The costs associated with the defense of these types of lawsuits are staggering. A business must understand its exposure, type of insurance coverage and limits. Your policy may not completely cover a negligent hiring lawsuit. If sued above and beyond limits of coverage you may find yourself on your own when it comes to the total cost of your defense, court fees and payment of settlement(s). In addition there is loss of goodwill; firms spend years, thousands, even millions of dollars to brand their products and services. One bad hire can create irrevocable damage – one bad hire alone can cause loss of capital and reputation to an extent that may bring a business to fail.

The remarkable thing to consider is that these cases illustrated may have been prevented with just a $50.00 background check – think about that.

Running parallel to the practical wisdom of conducting pre-employment background checks is the moral obligation to running your business.
3. The Moral, Ethical and Safety Responsibilities

A safe environment is a reasonable expectation which we all share. Under the Federal Occupational Safety and Health Act (OSHA), employers have a “general duty” to protect employees against “recognized hazards” that are likely to cause injury or death:

OSH Act of 1970 29 USC 654, §5(a)(1)
Section 5. Duties
(a) Each employer
   (1) Shall furnish to each of his employees, employment and a place of employment which are free from recognized hazards that are causing or likely to cause death or serious physical harm to his employees;
   (2) Shall comply with occupational safety and health standard promulgated under this Act.

Withstanding the legal aspects of our society, an employer has a morale responsibility to maintain standards that create a safe and secure place to work. Acts of violence in the workplace occur daily across the U.S. and are increasing at an alarming rate. Everything that can be done must be done to curtail this dangerous trend – proper background screening is the first step in the opposition to these incidents:

● According to the U.S. Bureau of Labor, approximately 11% of on-the-job deaths are attributed to homicide, making it the third leading cause of workplace fatalities. OSHA reports that over two million American workers are victims of workplace violence each year. (Knowing who you are hiring, based upon accurate information of past behavior can reduce violence in the workplace.)

● SHRM states research supports 10-20% of all applicants have criminal histories. A company may wish to hire someone with a criminal past – society believes “debts are paid” and individuals can rehabilitate and for the right position, the ex-convict may be a good match. However, you must know upfront this person’s past so that you may place him or her in a position which can be properly managed and monitored.

● When workers know they, as well as co-workers, have been background checked, they work with greater peace of mind and enjoy more job satisfaction.

● Employing honest people lowers theft of both company property and employee belongings. Honest employees are less likely to undertake unethical business practices.

● All applicants are placed upon an equal playing field. No one unfairly benefits from a hidden past, misleading resume or fraudulent credentials.

SUMMARY:
Studies, statistics, court rulings and just plain old common sense all point to the same conclusion: background checks are good business, mitigate risk and protect people and assets.
Section 3: Putting Your Program Together

1. Understanding & Discovering Your Needs

The first step towards putting your program together is to gain a grasp of what your company’s needs are so that you can make sure those needs are met through the screening process. In order to achieve this goal, you need to gather as an organization to identify and address the areas of greatest concern and decide how pre-employment screening can help you improve in these areas. Areas to discuss might include:

- Would screening help reduce your turnover?
- Would reviewing a person’s criminal history prior to a job offer assist your company in avoiding violence in the workplace (both threats of violence and actual violence) and reduce theft?
- How would screening affect your retention and negligent hiring claims?
- Would your employees be more productive knowing that everyone employed by the company has been screened and met the required screening criteria?

3. Set-up Policies and Procedures

Policies, practices and procedures that are not in writing are not enforceable and do not provide your company with any assistance in proving you have done your due diligence. Undocumented policies will not stand up to audits and will not help defend your company in a lawsuit. Hiring policies must be well thought out and fully documented so that the organization has a standard for training, implementing and checking on itself to ensure rules are being followed. Your policies should include each area of concern from your understand and discovering your needs exercise.

As an employer you must determine which searches and checks constitute the best method for your industry and for your own risk mitigation. A basic program outline may look like this:

- Establish who is in charge.
- Establish written policies. Your attorney and a professional background screening company can assist you with this step.
- Train all persons involved in the process on the laws and responsibilities of hiring. Document all training.
- Select the sources for your background data (either in-house or outsourced).
- Implement needed technology.
- Develop ongoing evaluation and auditing of the program.

The next step is to identify what screening is needed for each job within your organization. This is done by dividing your applicants into job categories; again this is something that your attorney or a professional background screening company can assist you with. Here is an example:

Job Category 1
Would consist of workers with access to your workspace only and not to your systems or operational processes. Example: vendors, contractors, repair people, cleaning staff, etc.
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Job Category 2
This is your largest group in most cases. Example: part-time and regular staff – these workers represent the largest risk to your company. They drive your vehicles, handle your customers, work side-by-side with your other employees and have daily access to your systems, information and operational processes.

Job Category 3
These individuals have the greatest degree of access to your proprietary systems, trade secrets and financial resources. Example: bookkeepers, controllers, CFO, IT personnel, department heads, supervisors, and senior management.

The next step would be to define which searches would be performed for each job category. Your background screening company will be able to better assist you with this once they have a full scope of what responsibilities each job category handles. An example follows:

Job Category 1
Because the workers in this example do not have access to your systems or operational processes, but will have potential access to your other employees, we would recommend a Person Search, National Database Search to include Sex Offender information and a County Criminal Records Check. If your company has decided to outsource your verification checks, previous employment should also be ordered or performed as per your policy. These checks would prove your company’s attempt to be vigilant in providing your employees a safe work environment and provide you with enough information to make a good hiring decision.

Job Category 2
These workers represent the largest risk to your company and because of the size of the risk; we would recommend a package consisting of a Person Search, National Criminal Database Search to include Sex Offender information, a County Criminal Records Check, a DMV (MVR) report and a Drug Screening. As an added layer of protection, you may also add a Civil Records Check. If your company has decided to outsource your verification checks, previous employment should also be ordered or performed as per your policy.

Job Category 3
These individuals have the greatest degree of access to your proprietary systems, trade secrets and financial resources and therefore, they should have the highest level of screening to include a Person Search, National Criminal Database Search to include Sex Offender information, a County Criminal Records Check, a DMV (MVR) report, an Employee Credit Report, Civil Records Check and a Drug Screening. If your company has decided to outsource your verification checks, previous employment, education and certification verifications should also be ordered or performed as per your policy.

Within your written policy be certain to clearly detail which positions will require which level of screening; documenting this clearly in your policy and having your attorney review this information will assist you in avoiding discrimination cases. Your screening policy must be fair and consistent; if you screen one person, you should screen all to avoid possible legal action.

Once you have decided what your screening is going to look for, you must decide what your company is going to accept and/or reject based on the results of the screening. Again, this
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information should be reviewed by your attorney to ensure that you are following state and local laws governing your location and this information must also be covered in your written policy. Depending upon the job, you may elect to disqualify individuals based upon the results; however some infractions may not be directly job-related so you may decide that those offenses are acceptable for certain positions. Again, you must have a written policy that is fair and that will be adhered to at all times; once you make an exception to the policy, you are opening your company up to litigation.

If your company is going to implement Drug Screening as part of your pre-employment screening package, you must include this in your policies and procedures and address the requirements, who is to be tested (again this should be done by job category and be consistent) and how the information is to be handled and stored. Drug testing results should be stored in a secure file separate from the employee file. This information is highly confidential and should be treated with the highest level of security. Please make sure to check with your attorney, background screening company or drug screening clinic to ensure that you are following all of the laws pertaining to the handling of this information. If your company does not have a Drug Fee Workplace policy in place, you will need to write one, get it approved by your legal counsel and implement it.

3. Implementing Your New Policy

How well your employees receive your new policy is going to depend on how well you deliver it. Before releasing your new policy to the entire company, have a meeting with your management team, department heads and/or supervisors and review the plan with them in detail so that they are on-board with the new policy and equipped to address any situations that may be brought to their attention. Make sure that each person walks away from this meeting fully understanding the new policy and why your company has opted to put on in place. You want to be certain your new policy is viewed in a positive light; you do not want everyone thinking that the company “is out to get me”. Keeping the lines of communication open and explaining to your employees why you have implemented your new policies, what results are going to be viewed and who is going to be seeing these results is key to your success. It is important that your staff understand that this information is highly confidential and will not be shared throughout the company. People often feel more at ease when they understand the full scope of what is being collected, how it is going to be used and who will be viewing it.

SUMMARY:

Setting up a new program requires a lot of thought and must be thorough to offer your company the protection the program was designed for. It is strongly recommended that your program be reviewed by your legal counsel prior to implementation. In implementing your program, you must be consistent and fair; if you screen one employee, screen them all. Keep your lines of communication open with your employees and stick to your written policy.
Section 4: Choosing the Right Background Screening Provider

1. Pros & Cons of In-House vs Outsourcing Background Checks

There are tasks an employer can do in-house like contacting previous employers or verifying licenses for example. However, some employers find it more efficient to outsource the more technical aspects of screenings, even if they have sufficient staff support to do it themselves. Here are are some questions to ask yourself:

- If we outsource, can we make better use of our time? By using our time differently and in other areas we will add to our ability to be a better, more profitable company?
- Do we have the required expertise to understand the state and federal laws, the Fair Credit Reporting Act and discrimination laws? Do we have knowledge of reliable data sources and how to accurately access the data we will be receiving on our own?
- What is the most cost effective solution for our company? If we do screening in-house, what are the dollar requirements and the focus needed to maintain the systems, technology and integrations over the long-run?
- Are there legal advantages to outsourcing, do we achieve greater levels of risk mitigation if we use a background screening firm as opposed to doing it in-house.

To get the answers to these questions, you may want to ask the opinion of your legal department. A professional background screening company can also help you in assessing your decision. A knowledgeable screening partner can help determine your R.O.I. and design “Best Practices” for your industry; they should add value to your processes and be a source of knowledge and information in your hiring practices.

2. Choosing the Right Provider

To find the right professional background screening company look for a full service firm that can demonstrate their knowledge and understanding of your needs. Consider the company’s overall experience. They must carry professional liability insurance, appropriate licensing and produce reports that are legally compliant with the FCRA (Fair Credit Reporting Act). They should be a member in good standing of the National Association of Professional Background Screeners, of ASIS International and of Professional Human Resources Associations. Your interview process or RFP should contain the following questions:

- Can you demonstrate by your methods, R.O.I. to our company?
- What policies and procedures do you have to audit our employment screening searches?
- Describe your process for training new employees before they commence work or background checks.
- Do you provide screening services on a nationwide basis?
- What sources of information are searched? How do you obtain your data? How do you test your data sources? Who do you partner with?
- What is the average turnaround time for each type of search? Can you provide back-up statistics?
- How do you handle additional names or aliases?
- What type of management reports do you have?
- Describe your technology and ability to integrate into our platforms.
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- What is your dispute process?
- Describe your program implementation, training resources, account management and provide a timeline for these steps.
- Describe your on-line system, interface, order submission and retrieval process.
- Are there any types of set-up fees or monthly service fees to use your services?
- Do you have an ATS, I-9, E-verify solution – if yes, please describe.
- How do you assist us in staying abreast of legal requirements?
- Describe your physical, data and system security policy and capabilities as well as data recovery and back-up systems.
- Describe your measures to ensure legal compliance pertaining to employment screening (i.e. FCRA, EEOC, etc.).
- Do you offer adverse action letter fulfillment/solutions to clients? If yes, please describe the available resources, procedures and extra charges involved.
- Does your organization provide guidance or subject-matter expertise in the form of a Compliance Professional, retained counsel, etc.?
- Please provide a copy of your security policy.
- Describe your system, physical site and personnel security policies.
- Explain your password policy (specific password requirements, frequency of password changes, procedure for lost user ID and password).
- What measures do you take to protect sensitive consumer information?
- What are your policies regarding the proper maintenance and disposal of personally identifiable information?
- Explain your retention and disposal policy.
- Please describe your data recovery/back-up system.
- Describe what differentiates you versus your competitors.
- Describe any additional value added services that were not previously mentioned in your response.

SUMMARY:
Whether in-house or outsourcing, background checks are the first step in the right selection. What is right for you depends on company resources and ability. Whatever your choice, be sure that you are in full compliance of all state and federal laws, that you are using the best technology and methods and that you are obtaining the correct data. After you are positioned to obtain the most current and accurate data available, in the quickest most efficient way possible – make sure you use it correctly.