



# Top Ten Tips for Selecting a Background Screening Provider 4.0

Today when you read a human resources or management focused publication, it's almost impossible not see to an article or mention of the 'war for talent.' Talent management has become the new mantra of how to create competitive advantage for businesses of all kinds in today's economic marketplace. This focus on talent means that every time you hire a new person, particularly for management, technical and highly valued positions, there is a lot riding on the hiring decision. Getting it right can mean lots of success for the organization. Getting it wrong means dealing with the cost of a bad hire.

## What Bad Hires Really Cost Companies

According to a new CareerBuilder study, of those that reported making a bad hire, the financial cost was in the tens of thousands of dollars:

- 27% of U.S. employers reported that one bad hire cost more than \$50,000
- 29% of German employers put that figure at \$78,787
- 27% of UK employers reported losses of \$92,469
- 29% of Indian employers put the figure at \$44,869
- 48% of Chinese employers at \$58,860.

"Making a wrong decision regarding hire can have several adverse consequences across an organization," said Matt Ferguson, CEO of CareerBuilder. "When you add up missed sales opportunities, strained client and employee relations, potential legal issues and resources to hire and train candidates, the cost can be considerable."

A previous CareerBuilder study found that when classifying what makes someone a bad hire, employers report several behavioral and performance-related issues:

- Quality of work was lackluster (67%)
- Failure to work well with other employees (60%)
- Negative attitude (59%)
- Attendance problems (54%)
- Complaints from customers (44%)
- Failure to meet deadlines (44%)

Do any of these sound familiar?

When asked what accounted for the bad hire, survey participants reported that 'insufficient talent intelligence' contributed to 22% and 'failure to check references' to 9% of the bad hire decisions. This translates into one third of the problem being lack of quality of information on applicants' background and experiences.

Another way of thinking about this lack of quality information is to understand that your employment screening process serves a critical role in identifying the intelligence information you need to make a quality hire. One part of an effective employment screening process includes background checks. Done well, a background check can provide indispensable information that can help you make a high quality hiring decision. Done poorly, it can lead to 'garbage in, garbage out' results, which will negatively impact your organization.

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I am sure it comes as no surprise to you that all background screening firms are not created equal. The right partner can help you build an effective employment screening program that reduces negligent hiring risks, builds a safer and more productive workforce and supports the overall strategic goals of your organization.

The purpose of this article is to increase your knowledge about the criteria that you should use to select a background screening firm that will help you pick the right talent and avoid making bad hiring decisions.

It is also important to note that the landscape for background screening has evolved with upwards of 95% of employers conducting some form of background check; the process is now main stream. The background screening industry has reached a tipping point where everybody knows about it.

**“The background screening industry has reached a tipping point . . . attorneys that represent plaintiffs have figured out there is money to be made by challenging background screening practices.”**

Applicants now know their rights and the attorneys that represent plaintiffs have figured out there is money to be made by challenging background screening practices.

Politicians, lawmakers and advocacy group have laid a lot of the blame for unemployment on the shoulders of the background screening industry. They are pushing for legislation that reduces the use of credit checks for employment purposes and ‘ban the box’ which reduces the use of criminal records as a barrier to employment.

Along with this, immigration has become a central political issue and will likely result in enhancement to or even mandatory use of the e-verify system.

With all of the above concerns playing out in the marketplace, employers are still faced with the challenge to hire the best talent, which requires high quality and accurate information about applicants for employment. To fulfill this need, they need a service provider that can best fit their need.

Our focus is to help businesses select providers that have the appropriate processes, practices and procedures in place to ensure that the accuracy of information provided is as high as possible.

In general, this means service providers that are:

- Complying with applicable governing laws;
- Using business practices based on industry standards (many of these are depicted in the accreditation standards established by the National Association of Professional Background Screeners (NAPBS); and
- Demonstrating excellence in protecting consumer personal data based on industry ‘best practices.’

### **Key Fact:**

**We also want to assure readers that the information in this article is provided from an expert third party and objective viewpoint. The author of this article co-wrote, ‘Background Screening & Investigations: Managing Hiring Risk from the HR and Security Perspective’ and our firm, PreemploymentDirectory.com, is not in the business of providing background checks of any kind.**

To combat a major area of inaccurate information fed by the rapid growth in diploma mills, fake degrees, fake references and misrepresentations on resumes (estimated to be as high 50-60%), candidate driven resume verification is emerging as a potential solution that can certify the accuracy of the information on an applicant’s resume. The jury is still out regarding how widespread this practice will become.

The following are our Top Ten Tips for selecting a background screening firm to help you meet your hiring needs.

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## I. Scrutinize the Firm's Demonstrated Service Capabilities:

1. Does the vendor provide 'Full Service' background screening services that will meet your business and hiring needs and include the following?
    - Identity verification, social security trace, fingerprint, etc.;
    - Federal, state, county and multi-jurisdictions (national) criminal and civil background checks, including misdemeanors, warrants and felonies, when permitted. (Currently no one database exists that stores complete up-to-date records for all Federal, County, State and Local criminal records including the FBI's Interstate Identification System);
    - Reference checks and previous work history;
    - Education and professional license verifications;
    - Motor vehicle records;
    - Employment verifications and reference checks;
    - Sexual offender searches;
    - Terrorist watch lists;
    - Credit history, within legal guidelines;
    - Electronic form I-9 services; and
    - Federal and State litigation history.
  2. Does the vendor have the capability to collect information directly from courthouses in jurisdictions appropriate to meet your needs?
  3. Can the vendor meet your required turnaround time for each type of background check you require? What is their average turnaround time? How is turnaround time measured?
  4. Does the vendor use a variety of methods for meeting your request and reporting needs, including Internet based tools with 24/7 access from any computer device at anytime from anywhere as well as fax, e-mail, interactive voice response, and a secure electronic file transfer?
  5. When providing an educational verification, does the vendor verify the legitimacy of the institution as a degree granting entity, that the institution is accredited by a legitimate accreditation organization and for foreign institutions provide equivalency information to U.S. institutions?
  6. Verify that the vendor is certified in states that require background screening firms to be certified or require a private investigator license.
  7. Does the vendor have a clearly demonstrated process in place to fully explain limitations of national or multi-jurisdictional databases to clients and have a written procedure in place for how criminal hits received from such sources will be re-verified?
  8. Does the vendor maintain records regarding how often their databases are updated and make this information available to clients upon request?
  9. Will the vendor assist you in developing an effective Background Screening Policy, if needed, or if one already exists, will they review your policy and make recommendations for improvements?
  10. Does the provider give you projected hit rates (what you can expect) based on your industry, nature of the jobs you recruit for and geographic scope of your recruiting for the following categories:
    - Criminal background;
    - Dispute rate (discrepancy with reported information); and
    - Resume verification discrepancy rate.
  11. Ask the provider to describe how their company responds to candidate disputes and their problem escalation process.
  12. Ask the provider about the steps that they take to ensure accuracy of the information they report.
  13. Ask if the same record is reported from multiple sources, how many times is it note on the report.
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**“The FCRA requires background screening firms to provide the maximum possible accuracy in information so make sure you evaluate how a provider goes about ensuring they are meeting this requirement.”**

## **II. Legal Compliance**

1. Require the vendor to certify their compliance with all applicable federal, state and local discrimination, consumer reporting, privacy protection, data destruction and other governing laws.
2. Verify that the vendor has written procedures in place to ensure that all information sent to the client will comply with the law, e.g., arrest records, sealed or expunged records, etc. In addition, does the vendor provide all necessary FCRA forms, procedures and training in how to appropriately use, as needed?
3. Does the vendor have an established process in place to monitor and ensure that all ‘data furnishers’ as defined by FCRA/FACTA, that supply them information about individuals have instituted reasonable policies and procedures that (1) ensure the accuracy and integrity of furnished information and (2) allow individuals to formally dispute the accuracy of certain information that has been provided about them?
4. Does the vendor certify that their employees and sub-contractors who have access to personally identifiable information, sign a confidentiality and non-disclosure agreement that meets your company’s requirements? This should include language that addresses new hires and employees leaving the firm. Have your legal counsel review the agreements.
5. Does the vendor have a written policy and procedure that clearly articulates the process to be used when an adverse criminal record is discovered that complies with the FCRA? At minimum, this should include their process for re-verifying the information and/or notifying the applicant at the time the information is reported as required by law.
6. Does the vendor have a written policy that details how they investigate and certify that all of their sub-contractors are bona fide businesses involved in the legitimate processing of personally identifiable information for a permissible purpose as defined by the FCRA?
7. Does the vendor’s policy state that consumer reports will only be issued after a client certifies it will comply with the FCRA and applicable federal and state laws? Also, does the policy affirm that access to personally identifiable information will only be provided to an authorized representative of your firm as prescribed by the FCRA?
8. Ask the vendor if they update you on changes in legal requirements at the state and federal level.
9. Make sure that the vendor is knowledgeable about conducting a ‘Relevance Screen’ (see article on page 18) to ensure compliance with EEOC and OFCCP Guidelines.
10. If your firm will be conducting background checks on applicants from or in other countries, verify that the vendor is Safe Harbor certified by the U.S. Department of Commerce. (Also check the International Resource Center at [PreemploymentDirectory.com](http://PreemploymentDirectory.com) for additional information.)

## **III. Policies and Procedures**

1. Does the vendor certify that all staff, regular, part-time and temporary, have been criminally screened at time of hire and ongoing checks are made to ensure employees continue to have acceptable work histories? This should be a contractual agreement that is part of the service delivery contract.
  2. Does the vendor have a written policy and procedure in place to avoid contacting a current employer if the applicant has requested that they not do so?
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3. Review the vendor's policy regarding making employment verification calls to verify the number of times the vendor will attempt before closing the search and ensure this meets with your requirements.

#### IV. Information Technology and Systems

1. Does the vendor have the capability to interface and/or integrate their screening solution with your HRIS and/or Applicant Tracking System (ATS) to allow information to seamlessly flow in and out of your organization's HR system in a secure manner?

2. With great advances in smart programming systems, predetermined hiring criteria can be programmed into a system so each report on an applicant is graded consistently and fairly. Using rules that apply to the various searches conducted during background screening, a system can electronically evaluate all the information to yield individual search decisions, as well as an overall recommendation. Does the vendor have this ability to help you create a 'smart' system?'

Sounds like a great idea! If you choose to set up this type of process, you need to exercise great caution to ensure that your system **does not** simply identify 'pass/hire' or 'fail/no hire' decisions. Otherwise, with the new EEOC Guidance on the use of criminal records in background screening you will likely put yourself on a collision course with the EEOC.

The new guidance recommends tailoring screening procedures to ensure that they are job related and consistent with business necessities; these procedures should include an individualized assessment that considers the following;

- Identifying essential job requirements and the actual circumstances under which the job will be performed;
- Determining the specific offenses that may demonstrate unfitness for performing the jobs; and
- Determining the duration of exclusions for criminal conduct based on all available evidence.

Remember all selection criteria used must be job related and have business justification. Ideally, the criteria should be included in a job description and reviewed by your labor attorney.

#### V. Training and Client Onboarding

1. Does the vendor have a documented training process in place for all staff that will be involved in processing or will have access to personally identifiable information? This training should be offered at the time of hire and on an on-going scheduled basis to ensure competency levels are maintained. Training should, at minimum, cover:

- Legal requirements for conducting background screening;
- Effective data protection and privacy to ensure security of information; and
- The essential elements of a background screening policy and key elements of an effective employment background screening program.

2. The vendor should also be required to provide periodic reports that demonstrate that the training is occurring as scheduled.

3. Ask the vendor to describe their process for implementing the transition to their services.

4. Does the vendor have procedures and processes in place to advise, train and educate clients regarding:

- Their legal responsibilities in conducting background checks;
  - How to order, retrieve, read and understand the information provided in a consumer report; and
  - Appropriate forms including providing sample documents, which are needed to legally conduct background checks.
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## VI. Data Protection, Privacy and Security Measures

1. Does the vendor have a written Information Security Policy that adheres to known best practices and provides a high level of data protection? Ensure that the vendor policy addresses at minimum the following:

- Details the purpose of the collection of an applicant or employee's personal identifiable information;
- The intended use, and how the information will be shared, stored and destroyed;
- Creates an audit trail of who has accessed information and has a procedure in place to detect, investigate and respond to intrusions; and
- Identifies a specific position or person(s) that is responsible for implementing, managing and enforcing the information security policy.

2. Have your Information Technology staff verify that the vendor and any sub-contractors that are involved with processing personally identifiable information:

- Have system security in place that fully meets your data security requirements and meets background industry standards; and
- Have procedures in place to mask some or all of the social security number from all reports, as well as obscure the year of birth.

**“Ensure that the vendors’ employees and their sub- contractors are held to the same screening standards you have established for your employees.”**

3. Have your Information Technology staff closely scrutinize data security processes for communicating and securing data. This is especially important if the firm utilizes independent contractors or home operators for court records research, verification services or sends data offshore for processing. In addition, if such practices are used by the vendor you should have your Legal Counsel define contractual language to be included in the vendor's agreement with their contractors that addresses:

- The appropriate type and amount of Errors & Omissions insurance coverage that needs to be in force with your firm named as co-beneficiary;
- The contractors and their employees are held to the same requirements and standards as the vendor's employees;
- Specific procedures exist to ensure your data is protected; and
- All data protection laws are strictly followed.

4. Your security staff should verify that the vendor and any sub-contractors that process personally identifiable information meet your physical security requirements for securing their systems and meets background screening industry standards.

5. Verify that a written policy exists that states that an applicant's personally identifiable information or client information is never resold. Make sure this language is built into your contractual agreement.

6. Require the vendor to either provide periodic reports verifying data protection procedure are being followed or to allow their processes to be audited.

7. Verify that the vendor has a Record Retention and Destruction policy that clearly defines how electronic and papers records will be destroyed and fully complies with Federal Trade Commission (FTC) regulations.

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8. Review the providers data breach policy to ensure it matches your requirements.

## **VII. Order Management and Notification**

1. Does the provider have an Account Management focus that provides continuity of support, assign someone to your company that you regularly deal with to gain familiarity with your company's policies ways of doing?
2. Ask vendor to explain their capabilities to support centralized management of orders from many locations or conversely, their capabilities to support multiple locations with different policies based on your needs.
3. Ask vendor to describe their capabilities to provide batch ordering services, if needed.
4. Ask vendor if they are capable of providing individual search results in the time frame defined by your organization and to describe the manner in which the results will be provided, e.g., online, fax, etc.
5. Ask them for a sample of the report format and are they willing to customize to meet your needs.

## **VIII. Quality Assurance**

1. Does the vendor have a documented quality assurance policy and on-going process in place to ensure the highest report accuracy is maintained?
2. Ask the vendor if their processes have been audited by a certified external organization and the frequency that audits occur.

## **IX. Financial and Pricing**

1. Has the vendor demonstrated financial stability over the last three years? Have your Controller or CPA review.
2. Does the vendor have Errors & Omissions insurance or self-insurance that meets your company requirements?
3. Require the vendor to fully disclose previous litigation within the last five years and any that occurs while the contract is in place. Make sure this language is built into your contractual agreement.
4. You need to do a thorough examination of the cost associated with conducting the different type background checks, checking alias, scope of the checks, e.g., federal, state, county, number of years that will be checked, number of follow up attempts, etc. You should also carefully review the providers policies that govern pricing. It will be wise to have someone with in depth knowledge of background screening to provide input on the providers pricing.

## **X. Making Sense of the Answers**

The starting point for making sense of the answers to all of these questions is to be very clear about your job requirements which includes identifying the level of risk associated with performing the duties of the position and the specific skills, knowledge, behaviors, traits and experiences that are required to be successful. A well written job description is the road map to success in hiring the right person, presuming that it is used to guide the process.

There should be a clear nexus between the stated risk level and specific skills, knowledge, behaviors, traits and experiences, requirements in the job description and the type and scope of background check that should be performed.

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With this thought in mind, the challenge is to balance the ten factors and the answers to the questions to arrive at a conclusion in order to select a background screening firm that best fits your needs. One of the ways we suggest to firms to balance the selection decision is to assign an importance weight to each of the factors. This will allow you to score providers and make consistent comparisons. The key to this approach is getting the importance rating right so that it properly guides your selection process. This is a decision that has strategic importance to the organizations' talent management strategy and accordingly, it should have the input of senior stakeholders.

**“There should be a clear nexus between the stated risk level and specific skills, knowledge, behaviors, traits and experiences requirements and the type and scope of background check that should be performed.”**

This approach will also help to reduce the subjectivity that can creep into the process. For example, the firm that has the slickest and most dazzling presentation may make a great impression, but may not have the same strength of services that a less impressive presenting firm has. The driving force behind the selection has to be matching your requirements as identified in the importance ratings and the strengths that a given provider offers.

One action that we strongly encourage organizations to include as part of their selection process is to meet the team of people that they will actually be working with; the people that will deliver services to them on a day to day basis. During your site visit, ask for a meeting with the service delivery personnel that will be providing services to your account. This is where the synergy between the provider and your organization must be a great fit, not just with the Executives and Marketing/Sales team.

## **Conclusion**

We have presented many of the essential factors that should be considered in selecting a background screening firm and that will help you make an informed selection decision. In addition to our selection guide, we suggest you get a copy of the National Association for Professional Background Screeners (NAPBS) Model Request for Proposal, which includes the key questions businesses should be concerned about when selecting a background screening firm (see [www.NAPBS.com](http://www.NAPBS.com)).

In addition, the following emerging issues, tools and information should be considered.

One practice that we continue to project will have considerable impact in organizations is Infinity Screening™ (post-hire employee screening). One recent study found that 47% of survey respondents conduct background checks on internal job candidates, so it is clearly growing.<sup>1</sup> With the economy in an upswing, we project Infinity Screening will continue to grow as businesses recognize it is a valuable tool to manage and mitigate risk.

One of the leading Infinity Screening™ tools to be aware of is provided by Innovative Enterprises Inc. and is only available wholesale to background screening firms. Ask your screening provider if they are using Innovative's Infinity Screening™ tool which is akin to buying a computer and wanting to know if it has 'Intel inside.'

The trend for use of contingent workers continues to increase as more firms build this into their talent management strategy and commensurately screening in this area needs to increase as well.

Social media tools will continue to impact employment screening as the search engines and sites like LinkedIn continue to attract business users and Facebook and Twitter try to find the secret sauce to become a mainstream business conduit. We believe that managers everywhere are using these tools to check out applicants on their own. The challenge for businesses is to find a way to harness these new social media tools to maximize their benefit and minimize the risk.

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Global screening will also continue to increase. Pricewaterhouse-Coopers research projects that by 2020 global movement of talent will increase by 50%. SHRM's said it well: "Wherever you are located, whatever industry you are in and no matter the size of your firm, you will be competing for top talent in a global pool . . ." This means that businesses of all kinds will need to increase their international screening capabilities.

Any future plans dealing with selecting a background screening firm should consider the emerging issues mentioned above. We hope this information is valuable in helping you to select a background screening firm.

#### Endnotes

1. HireRight's 2013 Employment Screening Benchmarking Report, <http://www.hireright.com/>



#### About the Author:

W. Barry Nixon, SPHR, is the COO, PreemploymentDirectory.com, the leading online directory that features background screening firms worldwide. The firm also publishes the leading e-magazine for professional background screeners, *The Background Buzz*, including a special quarterly edition focused on international background screening and the Annual Background Screening Industry Buyers Guide which features many of the best background screening firms in the business worldwide. Barry can be contacted at [wbnixon@preemploymentdirectory.com](mailto:wbnixon@preemploymentdirectory.com) or directly at (949) 770-5264.

#### Disclaimer:

Any use of the recommendations included in this article should be done under the auspices of a knowledgeable labor attorney and/or expert consultant with specialized knowledge of background screening. There is no intent to provide legal advice in any form.