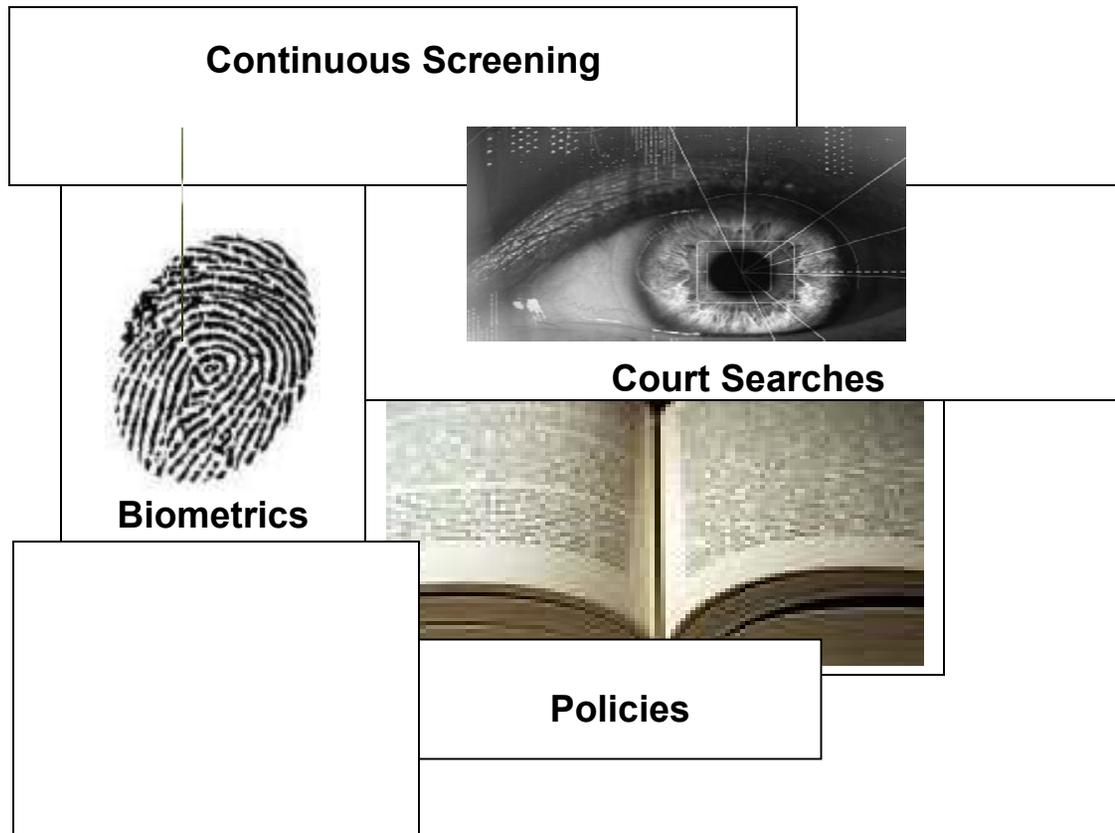


Comprehensive Guide For Selecting a Background Screening Firm



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Sponsors (Examples Only)



Introduction

The purpose of this guide is to increase business' awareness of the essential elements that should be considered when selecting an outsourced background screening firm. It is our presumption that every business entity wants to maximize their return on investment from services procured and more importantly they want to provide a safe and secure workplace for their employees. To this end, it is our intent to identify important considerations that will strengthen the quality of selection of a background screening firm which ultimately will lead to higher quality employee selection outcomes. Our focus is on helping businesses to select providers that operate within compliance with all governing laws, have established business practices that demonstrate excellence in protecting consumer personal data based on 'best practices' and that adhere to the spirit of the accreditation standards promulgated by the National Association of Professional Background Screeners. (NAPBS)

It is also important to note that our firm, the National Institute for the Prevention of Workplace Violence, Inc. is not in the business of providing background checks of any kind so we are an unbiased and objective view of the selection process. Our business focuses on providing workplace violence prevention solutions to public and private organizations. And, of course, background screening is an important element of any effective workplace violence prevention initiative.

The intent of this guide is to present the most current information available and to provide general guidelines that should be considered in selecting a background screening firm. It is my firm belief that businesses need to consider the selection of a background screening firm as carefully as selecting a CPA firm. A good background screening firm can keep you out of trouble, while one that doesn't protect applicant or employee data or provide accurate information can get you into a lot of hot water.

Some Compelling Reasons to Conducting Background Checks

The rapid growth of the background screening industry is a testimony to the importance that organizations of all kind have put on the need to check applicants' backgrounds as part of the employment hiring process. Also, it is evidenced by statistics that the process of conducting background screening actually works. The 2005 ADP Screening Index and 2005 InfoLink Screening Services Annual Screening Statistics reported that approximately 1 out of ten applicants have a criminal record and 40-60% falsify or exaggerate information presented on their resume, employment application or CV. The translation of this means that if you hired ten people this year and did not check their backgrounds, it is likely that you have at least one person with a criminal past and 4 to 6 employees on your payroll that do not actually have the experience, education or credentials upon which you based your hiring decision .

Some real cases:

- Disgraced former Radio Shack CEO David Edmondson isn't the only one to lie about college degrees on his resume; it seems that 14 percent of Americans have twisted the truth about educational attainment.
- Springfield, MA Police Department conducted an investigation into a report that a convicted sex offender was driving a vehicle carrying public school children for a private transportation company.
- A former employee of a St. Louis charter school, used about \$100,000 of the school's

money to buy a BMW, fancy clothes, electronics, hotel stays and airline flights. When he was hired he was on probation for stealing and writing bad checks.

- A Chief Financial Officer of a bank stole \$150,000 from the bank where he worked to cover his personal financial problems.
- In a case involving the healthcare industry, a patient suffering from cerebral palsy was murdered in his home by a visiting nurse.

Some of the factors that continue to drive the focus on background screening include the obvious focus on security resulting from the terrorist attack on the World Trade Center in New York City to the dramatic rise in workplace criminal activities such as identity theft, fraud, product and information theft to other problems such as workplace violence and exposure to negligent hiring liability.

Employers are besieged by the advent of these issues and their financial toll:

- Employees are responsible for approximately 60% of losses due to fraud, information and property thefts,
- A 2003 KPMG Forensic Practice Survey of executives at public companies with revenues of more than \$250 million reported that 36% of the companies surveyed suffered fraud of \$1 million or more.
- U.S. organizations lose an average of 6% of their revenues to all forms of occupational fraud

according to the Association of Certified Fraud Examiners and the costs of fraud from such things as employee espionage or identity theft is estimated around \$6 billion annually.

- The number of workplace violence homicides have actually decreased over the last several years, however, horrific incidents continue to happen and cause tremendous suffering and financial burden on employers. Researchers from the National Institute for Occupational Safety & Health (NIOSH) estimate that the average cost of a workplace homicide is \$800,000.
- Negligent hiring lawsuits that result in a jury trial have an average cost of over 3 million dollars to employers that lose and cases settled prior to trial are running around a half million dollars.

Employers have responded by conducting background screenings at an unprecedented level. The Society for Human Resource Management's (SHRM) 2004 Survey on Reference Checking indicated that over 80% of business that responded to their survey were conducting some form of background checks and the PreemploymentDirectory.com's 2005 Employer Background Screening Practices Survey (see http://www.workplaceviolence911.com/docs/03_2006_research.pdf) produced a similar result with 82% of respondents indicating they conduct screenings.

Another factor that is encouraging the increase in background screening is technological developments with the Internet and software that is facilitating the integration of background screening with enterprise human resource information systems. Through



“The average out-of-court settlement...approaches \$500,000.00 and the average jury award is \$3 million. A few awards have reached as high as \$5.49 million.”

Information Dash Boards, employers are able to access all the information that is relevant to making hiring decisions from one place and one source versus the old process of having to go to multiple sources and data feeds. The process is getting simpler and more efficient.

In addition, with biometric advances we are getting to the point where we will be able to identify individuals with a higher degree of certainty by cross referencing multiple physical attributes like fingerprints and iris scans which will help significantly reduce troublesome situations caused by false negatives or mistaken identity.

The next frontier that both employers and background screening firms must face is addressing privacy issues and data protection. After the 'year of the data breach' which 2005 has become known as, the industry is facing new data protection and privacy legislation and must exert much more due diligence in addressing this very important issue. Nuala O'Connor Kelly, chief privacy leader at General Electric articulates the issue best when she said, "A breach of employee data could be as damaging to a company's reputation as a consumer data breach, she says. "Privacy is to the information age what the environment was to the industrial age,"² O'Connor Kelly says.

Accordingly, we believe that the trend towards background screening will continue well into the future as security concerns continue to be at the forefront as organizations continue to focus on avoiding costs associated with making poor hiring decisions.

"Privacy is to the information age what the environment was to the industrial age"

About Us:

The National Institute for the Prevention of Workplace Violence, Inc. – A professional consulting firm that provides training, consulting, research, publications and services to assist public and private organizations to create violence free workplaces, establish programs that prevent workplace violence and how to address incidents should one occur. Our services include the award winning web site www.Workplaceviolence911.com that is widely recognized as the most comprehensive source of information on workplace violence on the Internet and www.PreemploymentDirectory.com our online Background Screening Directory is the largest listing of background screening companies on the internet for employers to find employment screening firms. We also offer numerous booklets on workplace violence related issues and the Ultimate Workplace Violence Prevention Policy Maker Software which allows a firm to create a comprehensive workplace violence prevention policy in about an hour.

Website – www.Workplaceviolence911.com

Booklets:

- Zero Tolerance is Not Enough: How to Make Violence Prevention Really Works
- The Complete Hiring Guide to Screen for Violent Prone Individuals
- Common Factors to Violent Prone Organizations
- The Financial Impact of Workplace Violence

Software:

The Ultimate Workplace Violence Prevention Policy Maker software

Background Screening Directory

PreemploymentDirectory.com helps employers meet the critical need they have to know whom they are hiring and who is on their payroll. The Background Screening Directory is the largest and most comprehensive web based directory of background screening firms designed for employers to quickly and easily find a company to meet their screening needs. The Directory consists of several sections to guide employers quickly to the company that will serve them best:

1. U. S. Domestic Section (firms are listed by their location, State by State)
2. International Section (firms that conduct background screening internationally)
3. Vendor Showcase (firms that provide services to the background screening industry presented by sub-categories like court searchers, software providers, etc.
4. Alphabetical listing

The Directory has over 1,000 firms listed and is continuously growing. It is a comprehensive tool to support your workplace security effort to provide a safe workplace for employees.

Website: www.PreemploymentDirectory.com

These are some of the key factors that firms should consider in selecting a background screening firm:

1. Does the vendor provide 'Full Service' background screening services that will meet your business and hiring needs? At minimum, these services should include the following:
 - Verification of identity
 - State, County and multi-jurisdictions (national)
Criminal and civil background check including current warrants as well as felonies and misdemeanors, when available
 - Reference check and previous work history
 - Verification of education and professional license records
 - Motor Vehicle records
 - Sexual offender search
 - Terrorist search
 - Credit history
 - Other searches as deemed necessary
2. Does the vendor have the capability to collect direct information from court houses in jurisdictions appropriate to meet your needs?
3. Can the vendor meet your required turnaround time for each type of background check you will require?
4. Does the vendor use a variety of methods for meeting your order and reporting needs including Internet

* Note: Currently no one database exists that stores complete up to date records for all County, State and Local criminal records



The capability to collect direct information from court houses is essential to be able to verify the accuracy of records found.

based tool with 24 X 7 access from any computer device at anytime from anywhere as well as fax, e-mail, interactive voice response, and electronic file transfer?

5. Verify that in providing educational verification that the vendor also provides college and university accreditation status, legitimacy of the institution as a degree granting entity and for foreign institutions equivalency information to US 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-jurisdiction databases to clients and have a written procedure in place for how criminal hits received from such sources will be re-verified?
 8. Require the vendor to certify their compliance with all applicable federal, state and local privacy, EEO/discrimination, consumer reporting, data destruction and other governing laws and has written procedures in place to ensure that all information sent to 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?
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30 States Require Private Investigator License to conduct background checks.

Image reprinted with permission of Covert-Systems.com. Go to http://www.covert-systems.com/private_eye/pdf/pi-catalog-04.pdf to check out their products.

9. Does the vendor have a written policy and procedure that clearly articulates their process that will be used when a criminal hit is reported? At minimum this should include who will report it, how it will be reported, specific information that will be included, process for re-verifying information, etc.
10. 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?
11. 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 backgrounds. This should be a contractual agreement that is part of the service delivery contract?
12. Does the vendor certify that all employees of the vendor and their sub-contractors that are involved in processing or who will have access to personal identifiable information sign a confidentiality and non-disclosure agreement that meets your company requirements? This should include language that addresses new hires and employees leaving the firm. Have your legal counsel review the agreements.
13. Does the vendor have a written policy and procedure that details how they investigate and certify that all



One of the worst things that can happen is to have a current employer contacted for a reference or background check against the applicants request.

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their sub-contractors are bona fide businesses involved in the legitimate processing of personal identifiable information for a permissible purpose as defined by FCRA? Also, does the vendor's policy address that personal identifiable information will only be provided to an authorized representatives of your firm.

14. Require the vendor to fully disclose previous litigation involving data breaches within the last five years and any that occur while the contract is in place. Make sure this language is built into your contractual agreement.
15. Does the vendor have the capability to interface and/or integrate their database with the your HR and/or Employment information system(s) to allow information to seamlessly flow in and out of your organization's HR system. The desired result is to have the ability to go to one place to retrieve screening information along with other employment related information in one report that facilitates hiring decision making.
16. With the advent of artificial intelligence and 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 a background screening, a system can electronically evaluate all the information to yield



“ . . . predetermined hiring criteria can be programmed into a system so each report on an applicant is graded consistently and fairly.”

individual search decisions, as well as an overall recommendation. Does the vendor have this ability to create 'smart' systems?

Please note that care needs to be taken that these systems do not simply identify "pass/hire or fail/no hire" decisions which could run afoul with EEOC guidelines addressing hiring ex-convicts. For example, a decision matrix that defines positions that involve handling of cash or other valuables no one with a conviction within the last seven years for a financial related crime, e.g., embezzlement, etc. would be recommended for hire might very well be fine versus a blanket rule that no one ever convicted of a felony would be automatically disqualified.

17. Does the vendor have a documented and visible training process in place for all staff whom will be involved in processing or will have access to personal identifiable information? This training should be offered at 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,
- essential elements of a background screening policy and how to effectively implement an



Training should be offered at time of hire and on an on going scheduled basis to ensure competency levels are maintained.

effective background screening program. (see http://www.hrtutor.com/en/featuring_Background_Screening_Violence_Prevention_Suite.aspx)

Require the vendor to provide periodic reports that demonstrate that the training is occurring as scheduled.

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18. Can 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? .
 19. Does the vendor have a documented compliance policy, on-going training and audit processes in place that ensures that all staff complies with all appropriate federal, state, local and international laws and regulations as required to legally conduct background screenings?
 20. Does the vendor have System Security that provides high level of Data Protection. Ensure that the vendor has an Information Security Policy that:
 - 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?
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Data Protection and System Security needs to be a high priority evidenced by a comprehensive Information Security Policy and continuous due diligence.

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

- a. have system security in place that fully meets your data security requirements and meets background industry standards as defined by NAPBS.
- b. 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.
- c. have your Information Technology staff closely scrutinize data security processes for communicating and securing data if the firm utilizes independent contractors or home operators for court record verifications 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.

- d. Have your Security staff verify that the vendor and any sub-contractors that process personal identifiable information meet your physical security requirements for securing their systems and meets background industry standards as defined by the NAPBS.

- 21. Does the vendor have a documented quality assurance policy and on going process in place to ensure the highest report accuracy and maintains records of quality audits for all their sources of data and information?
- 22. Does the vendor have demonstrated financial stability over the last three years? Have your Controller or CPA review :

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- Debt ratio and outstanding debt to analyze whether they are within acceptable industry standards and do not indicate potential problems in the near term,
 - Existence of sufficient cash, credit and liquid assets to fund continued investments in technology to maintain a competitive position

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- 23. Verify that a written policy exists that states that applicant or client personal data information is never resold . Make sure this language is built into your contractual agreement.

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- 24. Require the vendor to disclose all sub-contractors that will be used that are involved with the processing of personal identifiable information or will have access to this information and ensure that these vendors and

their employees be held to same standards you have established for your employees. Require that new vendors that may be hired during the duration of the contract be held to these standards and require the vendor to either provide periodic reports verifying this procedure is being followed or to allow their processes to be audited.

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In the above items we have presented many of the essential factors that should be considered in selecting a background screening firm to help you make informed hiring decisions. Two future considerations that we believe also warrant your attention include two technology driven issues. The first issue deals with “Infinity Screening (continuous post hire employee screening)’ which is emerging as a valuable tool to notify firms of derogatory information, status of licenses, etc. that occur after the person becomes an employee. This will become a powerful tool to prevent negligent retention, once the myriad of issues that must be addressed to introduce it are overcome.

The second issue is the impending convergence of two heretofore separate areas: Physical Access Control and Background Screening. This will usher in the age of Identity Verification Management in which verification and authentication are joined together in one automated system. Any future plans dealing with selecting a background screening firm should consider these emerging issues.

In summary, we have attempted to present comprehensive information to you regarding ‘factors to consider in selecting a background screening firm,’ and hope that this information will provide you valuable insight in selecting your future employees. It should also be noted that the specific application of these recommendations 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 which can only be provided by a licensed attorney.

Citations

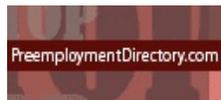
1. Ward v. Visiting Nurse Association and Trusted Health Resources, Inc. No. 94-4297H (Suffolk Superior Court, MA
2. 2 – This statement was originally made by --Deirdre Mulligan as quoted in Philadelphia Inquirer, February 15, 2001

Additional Reference Materials to Help Your Selection:

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7. NAPBS Employment & Education Verification Provider Guidelines; www.NAPBS.com
8. ‘Preemployment Background Screening (Draft Guidelines), ASIS International, Background Screening Taskforce, www.ASISonline.com.

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