



CourtHouse Concepts™

# **The Ultimate Guide to Background Checks**

A CourtHouse Concepts ebook

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# Background Checks 101

Every time a new employee is hired, your company makes an investment in human capital.

Just as you thoroughly research and vet investment decisions for your business, the same degree of due diligence should be taken when screening potential employees.

According to the Bureau of Justice Statistics, there are 92 million individual criminal offenders located in State criminal history repositories across the country. There's a good chance some of them are currently job hunting.

Whether you are new to the background checking process or a seasoned veteran, there are constantly new methods and tools available to improve your process and results. Every organization has a different approach and preference when it comes to mitigating risk and conducting criminal record checks.

One thing is certain, criminal record checks are the anchor of most background checking programs, and employers in all industries are always looking for ways to get the most comprehensive picture of their candidates.

## **WHY ARE BACKGROUND CHECKS IMPORTANT?**

**The #1 reason for conducting background checks on employees is to avoid job fraud.**

Job fraud refers to purposeful inaccuracies or false information that a candidate presents to an employer when applying and interviewing for a position. These inaccuracies can range from misrepresented information about employment or education history to infractions with the law.

## **How does it affect your company?**

Prospective job candidates who are not properly screened for job fraud can negatively impact your organization. For example, an individual who misrepresents their education or work experience may not produce high quality results.

If individuals are not honest about their criminal histories, they may contribute to an unsafe work environment. Lastly, poor employment-screening practices can lead to complicated and costly lawsuits.

## **Some things to think about...**

- 53% of applications submitted by job candidates to hiring managers contain at least one inaccuracy.
- Companies have lost more than 79% of negligent hiring cases, with instances where employers lost up to \$40 million.
- A 2012 study reveals that 75% of employees have stolen at least once from their employer.
- The National Survey on Drug Use and Health announced that in 2011, about 9.8 million full-time employees 18 years of age or older abused drugs or alcohol within the last 12 months.
- In 2011, there were a reported 458 workplace homicides.

# Legal Compliance

A background check is considered a “consumer report” or “investigative consumer report” depending on the type of information. The Fair Credit Reporting Act (FCRA) requires employers to take defined steps, including notice and consent, before obtaining a background check.

## **10 steps to ensure your business is compliant with FCRA regulations:**

- 1. Provide written disclosure.** Job candidates and current employees must understand that they will be screened, and that any results within the report may contribute to decisions around hiring, promotion, or retention.
- 2. Obtain consent.** Employers must get written authorization from the job candidate or employee before screening them.
- 3. Provide information.** Candidates are entitled to request and receive information about the credit reporting agency conducting the search, along with any information about rights they have under state and federal law.
- 4. Run the report.** After the above has been completed, a third party agency can screen a job candidate or employee on behalf of your company.
- 5. Analyze the results.** After the background report is completed, the employer can review the results. A copy must be provided to the screened individual if requested.
- 6. Make a hiring decision.** If an employer determines that any information from the background report is reason to deny employment, they must follow additional steps to ensure compliance. If no adverse action follows the background check, an employer is successfully in compliance with the FCRA.

- 7. Notify Adverse Action.** If an employer refuses to hire or promote, or terminates an existing employee based on information gathered from a background check, the employer must notify the individual of the adverse action in writing. The employer must also provide a copy of the background report and “A Summary of Your Rights under the Fair Credit Reporting Act.” Employers can receive this information by contacting the consumer reporting agencies that serviced their background screening.
- 8. Allow for Review.** The FCRA recommends a waiting period of five business days before pursuing an adverse action as a way to provide an opportunity for the individual in question to dispute information.
- 9. Reinvestigate disputed items.** If any items on the report are in dispute, a background screening company can re-investigate those items and provide an updated report to both employer and applicant/employee.
- 10. Finalize Adverse Action.** If an employer has followed all steps in conducting a background check, then an adverse action can be completed. If that final employment decision is adverse, the employer should send a notice of adverse action to the applicant/employee.



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# Identity Search

## **Are your applicants who they say they are?**

Identity research is the most basic form of information that all employers should request about their new and existing employees. Identity research confirms that a job candidate is actually who they claim to be.

The easiest way to obtain this verification is through a Social Security Number Trace to make sure that the information provided by the job applicant actually matches state and national databases, credit bureaus, and drivers license files. Using this information, an employer can gather a list of addresses and names associated with the individual to confirm the identity of the new hire.

To conduct this basic background search, ask the applicant for his/her social security number and two separate forms of photo identification, such as a driver's license or passport.

# Verification & References

## **Does your applicant really have the experience they claim?**

The most commonly misrepresented information on a résumé is education and experience. In fact, a few influential figures have provided false information on their Curriculum Vitae, or CV. An example of such a case is the ex-CEO of Yahoo, Scott Thompson, who embellished the details of his college education and was terminated by the company after four months.

A recent report showed that 21% of résumés contained fraudulent degrees, 29% showed altered employment dates, and 33% had inaccurate job descriptions.

To prevent issues down the road, we recommend running:

1. Employment History Verification
2. Education Verification
3. Professional License Verification
4. Reference Check

Attention to detail here could save you a lot of money later. Remember, a new hire is an investment. Make sure that your candidate has the necessary education and experience for you to receive a return on that investment.

# Criminal Records

## **Does your applicant present a danger to your business or coworkers?**

When most people think of background screening, criminal activity checks are normally the first thing that comes to mind.

Criminal record checks are arguably the most important yet most complicated form of background check an employer can run on an applicant. An individual's criminal history not only affects a company's safety, but also job performance and qualification.

Criminal records fall into three main categories: national, state, and county records.

### **National Records**

Many employers depend solely on 'national' criminal records. These national databases are compiled by data brokers and consist of a few counties and state criminal record repositories.

Unfortunately, national checks are likely to miss crucial information and should not be relied on as the only criminal check. In fact, in a random audit, the FBI reported that criminal records were 50% incomplete.

### **State Records**

The process of creating state criminal record databases requires local jurisdictions to report all individual criminal records to the state.

This system may seem logical and can lead one to expect a robust repository of state criminal records. Unfortunately, the reality is that this process cannot be executed properly due to administrative, staffing, and technical issues, leaving many holes in state-wide public records.

Records can take anywhere from months to years in order to reach state criminal records repositories, meaning that any employer relying solely on state data is likely to miss out on pending cases, dismissed cases and unreported convictions.

## **County Checks**

While county criminal records can be a bit more time-consuming to search through, they are likely to be the most accurate and updated.

As a best practice, employers should run county checks for each of the locations in which an individual has lived. National and statewide checks are recommended supplements to county records since they may catch individuals with “traveling offenses.”

# Sex Offender Checks



## **Is your applicant on the sex offender list?**

There are close to 747,400 registered sex offenders in the United States.

There are obvious reasons to run sex offender background checks on potential job candidates.

In service industries where employees interact with other individuals or children, these checks are strongly recommended and may even be required by local or state laws.

Employers should discuss these topics with hiring managers to outline red flags in order to decide if sex offender checks are pertinent to your organization's needs and values. For example, a daycare should run sex offender checks on their employees to provide a guarantee to the parents that their children are in good hands.

# Motor Vehicle Checks

## **Is your applicant a responsible driver?**

Motor Vehicle Records (MVRs) are an important way of investigating driving histories and confirming basic identity information such as date of birth, name, and address.

This type of report also allows an employer to verify if an individual is safe on the road, regardless of whether their job requires driving or not. For example, if an applicant is interviewing for a delivery position, traffic tickets or accidents can be a warning sign.

In many states, DUIs appear under MVRs, not criminal records, so it's important to be thorough when screening a potential employee.

# Credit Reports

A credit report includes information around an individual's financial activity. This report can be indicative of whether a job candidate has paid their bills, taken out loans, filed for bankruptcies, and more.

Credit reports have been a controversial topic. The Equal Employment Opportunity Commission (EEOC) opposes the use of credit reports for employment purposes, because they believe it unlawfully discriminates against African-American, Hispanic and male applicants who are statistically more likely to have a negative report.

Employers and industry experts make up the other side of the argument however, because they believe the information contained within a credit report can be valuable in certain situations.

One thing that all parties can agree on is that credit reports should not be used carelessly. Before ordering a credit check on a job applicant, employers should question whether or not it is truly necessary. A credit check is only recommended in cases where the employee will have direct access to cash or other assets, or for senior level positions that carry financial responsibility.

If you decide that this information is valuable, you as the employer must make sure that you comply with the Fair Credit Reporting Act to prevent breaching candidate or employee privacy rights.

# Drug Testing

According to the 2012 National Survey on Drug Use and Health, 8.9% of full-time employees and 12.5% of part-time employees are illicit drug users. In fact, the survey showed that 67.9% of illicit drug users aged 18 or older are employed.

The costs associated with employee substance abuse can quickly accumulate for employers. The financial impact on businesses include reduced productivity, lower morale, higher absenteeism rates, employee theft, injuries & fatalities in the workplace. The National Council on Alcoholism and Drug Dependence estimates that drug abuse costs employers \$81 billion every year.

Employers routinely rely on drug testing to help weed out illicit drug users from their hiring pool, and deter current employees from participating in drug use on the job. By implementing a compliant drug-free workplace program, organizations can protect themselves from the negative effects of employee drug use.

Drug screening can be conducted for a variety of drugs including, but not limited to marijuana, cocaine, opiates, amphetamines, prescription drugs, and alcohol.

Employers can choose to run random post-hire drug checks so long as they have written authorization and consent from the individual to do so.

Some employers, on the other hand, do not have a choice. The Department of Transportation (DOT) requires that persons subject to the commercial driver's license (CDL) requirements and their employers follow alcohol and drug testing rules. In this case, it's extremely important to look for a background screening company that has been DOT approved.

# Final Thoughts...



There is no doubt that integrating a background check policy can benefit and protect your company.

Don't just rely on your "gut feeling." The more you know about the candidate, the better you will be able to assess if they are a fit for the position and for your company. Talent acquisition is a struggle in nearly every industry, so make sure that you're not cheating yourself out of any of the available information before extending an offer.

It's important to point out that better hires often mean less turnover. We know that turnover is typically the number one cost to businesses. Save yourself from investing in the wrong employee for the job.

Requesting a background check for a prospective employee is perfectly within your rights as an employer. These background screening reports can hold vital information that is relevant to your hiring decision. You wouldn't choose to not gather all of the relevant information when making a different business decision, so don't skimp here either. Take the time to do your homework and you'll see the results!



**CourtHouse Concepts™**

# About Us

Founded in 1999, Courthouse Concepts can offer employers the tools to make better hiring decisions, lower turnover and reduce the legal risks to your business.

By partnering with us, CHC will determine if your job applicant has honestly represented themselves by performing:

- Criminal Background Check (County, State & Federal)
- ID Verify and Social Security Trace
- Drug Screening (DOT & Non-DOT)
- Driving History/MVR Reports
- Credit Reports
- Employment/Education Verification

We will also help you make a great first impression. With our Applicant Management Center, you can track candidates through the hiring process from initial invitation through the completed background check.

We streamline your process so that everything goes smoothly and you can focus on more important tasks. There are no contracts, set up fees or monthly minimums.

You can reach us at:

[www.courthouseconcepts.com](http://www.courthouseconcepts.com)

877-750-3660

