



SIGNET
PRE-EMPLOYMENT SCREENING

**GET THE FACTS
ON BACKGROUND
CHECKS**

INTRODUCTION

As companies look to hire the best and the brightest to fill open positions, it's vital to perform background checks as part of the process. Background checks provide accurate, timely information to help make better hiring decisions. Conversely, the lack of background information can cause immense damage to corporate finances, safety records and legal compliance.

Twenty percent of employers who reported making a bad hire said they knew within the first week.¹ The costs of then replacing a bad hire are wide ranging and can include:

- Poor team morale
- Lower productivity
- Lost clients or damaged reputation
- Legal fees
- Advertising costs and staff time
- Training and relocation fees

Financial Costs

THE COSTS OF A BAD HIRE TO COMPANIES OF DIFFERENT SIZES¹



Employers also have a legal obligation to create a safe workplace for both employees and customers. Hiring candidates who have violent crime convictions or engage in drug use may create unsafe job environments. Incidents such as workplace violence, accidents and theft all can increase because of hiring shortcuts.

2.9M
nonfatal private
workplace injuries/
illness in 2015²

30%
of business failures
directly related to
employee theft³

Workplace violence and accidents increase the risk of negligent hiring - an employer's liability for an incident caused by an employee when the employer knew (or should have known) that the employee posed a risk.

For example, Company X hires a driver who causes an accident. Because of resulting injuries, Company X is sued. Company X would hold a stronger legal position if it had run a background and motor vehicle records check that returned clean.

However, if the company didn't check records - and there were previous license suspensions - Company X could be found liable for the injuries. That's due to the fact that company representatives could have discovered their employee's previous driving record, but did not make the effort.

The average settlement of a negligent hiring lawsuit is \$1 million.⁴ And, when such cases are brought to court, employers lose about 79% of the time.⁴ Facing these financial costs, background checks are worth the time and short-term expense.

>79%

of negligent hiring cases lost by employers⁴

“DETAILS CREATE THE BIG PICTURE.”

Sanford I. Weill, banker and financier

AVAILABLE BACKGROUND CHECKS

One of the main reasons for making a bad hire is the rush to fill a position. Taking a few extra days to run background checks saves companies time and money in the long run.

There are a variety of background screening options to choose from that can support a company's unique hiring needs, including:

- **Federal, state and county criminal checks** - Companies should include county checks to receive the most complete job applicant information
- **Education and employment verification** - 9% of job applicants falsely claim a college degree or list a false job or employer on their resume⁴
- **Drug screening** - Employees with substance abuse problems have more attendance issues, are less productive and cause more accidents

- **Motor vehicle reports** - Discover a detailed history of violations, suspensions and more about an applicant's driving history
- **Social media** - Learn more about an applicant's background through social media posts, blogs and pictures that are relevant to the hiring process
- **Credit report** - If a position involves access to cash or company funds, it's a screening best practice to run a credit report to determine if a job candidate has liens, credit issues or has ever filed for bankruptcy
- **Skip trace (address history)** - This check verifies past addresses and serves as a starting point for a thorough background check
- **Healthcare compliance** - Through the Fraud and Abuse Control Information System (FACIS), companies can receive a current and historical listing of sanctions, exclusions, disbarments and disciplinary actions for all healthcare providers at state and local levels
- **Global Homeland Security search** - American and international databases reveal terrorist activities, money laundering, government agency fraud and other serious offenses
- **Sex offender** - Find out if a job applicant is registered as a sex offender in any of the 50 states and the District of Columbia

Since **1970**,
the federal Fair Credit Reporting Act
promote the accuracy, fairness and
privacy of information at consumer
reporting agencies.

HOW TO ENSURE BACKGROUND CHECKS ARE LEGALLY COMPLIANT

When a promising job candidate fails a background check, what's the best course of action? Stop all communication with the applicant and move onto the next candidate? Or send an adverse action letter letting the candidate know about the background check?

While the first option seems to save time and hassle, that decision sets up the possibility of legal and financial issues for failure to comply with the Fair Credit Reporting Act (FCRA).

If companies decide against hiring a candidate due to background results either before or after an employment offer, adverse action notices must be sent.

To comply with the FCRA, you should send two pieces of correspondence regarding the background check:

1 THE PRE-ADVERSE ACTION NOTICE

This brief letter should state that a decision is pending their employment and include the background report and a copy of FCRA's "A Summary of Your Rights."

2 THE ADVERSE ACTION NOTICE

If the applicant does not reply and correct the information within a reasonable time frame, companies may then send the adverse action letter. The letter should include:

- The name and address of the reporting agency along with the reason for denying employment
- A statement saying the reporting agency did not make the decision and cannot explain why the decision was made
- A statement saying the applicant has a right to dispute the information and can get another copy of the free background report within the next 60 days

Adverse action notices save companies the potential of being sued for FCRA noncompliance by the applicant, the Federal Trade Commission, other federal agencies or the state.

3,960

FCRA lawsuits were filed in 2016.⁵

THE FYI ON DIY WEBSITES

Do-it-yourself (DIY) background check websites may at first appear to be a cost-effective option for companies. A wide variety of these websites offer tempting promises: Free. Instant results. Access to the #1 criminal conviction database in the industry.

However, this method of background screening can make businesses pay in the long run. The reason lies in the site's disclaimer language:

COMPANY XX does not provide consumer reports and is not a consumer reporting agency. You may not use our service or the information it provides to make decisions about consumer credit, employers, insurance, tenant screening, or any other purposes that would require Fair Credit Reporting Act (FCRA) compliance.

This disclaimer language matters significantly as:

- The results are not always comprehensive and therefore not completely trustworthy.
- A DIY site may only access national databases and not include county criminal research. Without county research, companies cannot confirm that candidate John A. Smith is the actual John Smith being shown in the results.

- The results are not FCRA compliant.
- If companies base hiring decisions on noncompliant DIY background results, rejected candidates could file negligent hiring lawsuits.

HOW TO MAKE THE SCREENING PROCESS EFFICIENT

As companies initiate background checks in the hiring process, there are several ways representatives can help streamline the process:

1 COMPLETE NAMES

Provide complete names for all applicants. In some circumstances, a middle initial makes a significant difference in search time, especially for candidates with more common names.

2 OFFICIAL FIRST NAMES

Remember to ask candidates to use their official first names. Candidates should use their legal name of record - not nicknames - on their background authorization forms.

3 PAPERLESS SCREENING

Use a paperless screening service. With a paperless system, applicants can enter their own personal data online, eliminating issues such as deciphering bad handwriting.

HOW SIGNET SCREENING CAN HELP

Signet Screening offers three distinct advantages for our hiring partners:



WIDE VARIETY OF SERVICES

We offer comprehensive screening services, including criminal checks, education and employment verification, drug screens, motor vehicle reports and social media searches. As your partner, Signet will work with you to design the hiring process that delivers the screening results you need to make effective decisions.



SUPERIOR TECHNOLOGY

At Signet, we're dedicated to providing the latest technology for our partners. We eliminate the paperwork: All our customers use Signet's custom online portal to easily submit orders and track progress.



CUSTOMER-FIRST FOCUS

While services and technology are our bedrock, outstanding customer service is our guiding principle. The Signet team is here to answer your every question and every concern, delivering on our goals every day.

FOR MORE INFORMATION

Contact us today for a free screening evaluation. Our Signet Screening experts will evaluate your current screening process and recommend a customized screening package designed to improve your hiring effectiveness and reduce costs.

1. SHRM Survey Findings: Background Checking - The Use of Criminal Background Checks in Hiring Decisions
2. U.S. Department of Labor news release: October 27, 2016
3. 2016 Harris Poll of 2,379 hiring and human resources managers for CareerBuilder
4. https://www.hr.com/en/app/blog/2012/03/who-are-you-really-hiring-10-shocking-hr-statistic_h09y2ol.html
5. <https://www.acainternational.org/news/year-in-review-consumer-litigation-filings-end-2016-with-surge-in-tcpa-cases>

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SIGNET
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P.O. Box 361
West Chester, OH 45071

513-330-6695
www.signetscreening.com