

Employment Screening **Best Practices Among Professional Service Firms**

By Kevin Prendergast

More and more professional service firms are coming to the realization that pre-employment screening makes good business sense. A well-designed program that focuses on selecting the right candidates can substantially improve operating results and reduce exposure, especially when reputation is essential for success.

One in twenty candidates: The five percent factor.

Many professional service firms believe that background investigations are unnecessary due to the caliber of people they hire. Our statistics prove otherwise. In over 50 years, we have investigated over 100,000 candidates for professional service firms. These are our findings:

- 5% of applicants have a criminal record.
- 27% will have findings in their report that are inconsistent with their resume/job application.
- 10% will have a negative comment from an employment reference.
- 5% will have an absolute disqualifier under “Best Practices” criteria.

Our findings indicate that for every 20 people receiving a job offer in the professional services industry, one will be absolutely unsuitable for employment. For firms that do not perform comprehensive investigations, there will be one "time bomb" for every 20 employees. In 2006, we uncovered over 125 applicants claiming degrees that were never earned. That trend has continued through 2007.

Candidates lie because there is no penalty for getting caught. A dishonest applicant is rarely prosecuted and the only penalty is being rejected for a position they could not otherwise obtain without deception. They are willing to take the chance since if they are not caught, they can secure a lucrative position at a prestigious firm. They subscribe to the theory that the bigger the lie, the less risk someone will check.

Of the over 125 falsified educations we uncovered last year, “Harvard MBA” led the list of most frequently claimed credential. The list of false qualifications also included MBAs from Case Western Reserve, Columbia, The London School of Economics, MIT, Stanford and Yale. We regularly find unlicensed accountants, attorneys and financial professionals.

The trickle down effect

What a firm must avoid is being the only firm in their market not conducting investigations. As more and more firms begin comprehensive screening programs, candidates will naturally gravitate to the firms where it is unlikely they will get caught.

We recently performed an investigation on a lateral candidate seeking a partner position at a large accounting firm. He was working at a regional firm and was seeking to move into a national firm. The background investigation indicated that the individual had not earned his degree as claimed prior to joining his current employer. The current employer did not perform background investigations on their professional staff and the individual had been working for many years “living a lie.”

As the example above illustrates, you must be especially careful for lateral candidates who were never checked at their current or prior employers.

Indeed, it is not uncommon to find significant problems in the past of a candidate seeking to make a lateral move. A recent case proves this point. Our client, a "Big Four" accounting firm, had made a contingent offer to a senior manager from a large consulting practice. The consulting firm only performed a basic level criminal check in the county of residence and did not verify employment history.

Our investigation revealed that the applicant had taken a job in another state prior to joining his current employer. The employment lasted only six months, during which time the candidate was convicted of sexually assaulting a co-worker. After being terminated from his job, the candidate moved back to his prior residence and stretched the employment dates for his prior employment to cover the six month problem employment.

Individuals who get caught lying on an application do not leave their profession. Instead, they actively seek out a firm that does not perform any type of investigation or, alternatively, does not investigate the area where their problem lies.

Return on investment

For professional service firms, recruiting and training are expensive line items. Proactively ensuring a “good fit” can save substantial financial and human resources.

A recent study indicated that a problem employee will cost his or her employer 125% of their annual salary. This figure includes: (1) amounts paid to the employee for salary and benefits; (2) recruiting and training costs; (3) management time dealing with "the problem;" and (4) termination costs and replacement expenses. Assuming one in every 20 professional job applicants is ill-qualified; consider this example of the potential ROI of a background check program:

The Cost of a Bad Hire.

- Administrative Employee.
- \$28,000 Annual Salary.
- 125% of Salary.
- Cost = \$35,000.

- Professional Employee.
- \$80,000 annual salary.
- 125% of salary.
- Cost = \$100,000.

Cost of a Background Investigation Program.

- \$300 average cost for comprehensive investigation.
- 1 in 20 disqualified.
- Cost for 20 investigations, \$6,000.

The client trap

A thorough screening program sends a message to clients and employees that the firm only hires individuals meeting the highest personal and professional standards. As more and more companies perform investigations, they are demanding that their providers do the same. It is quite embarrassing to send a person out on an engagement and then have to remove the person because of a background investigation made at the client's request.

A recent example illustrates this point. We received a call from a recruiter who had worked for one of our clients and was now the National HR Director at a consulting firm. The HR Director needed a background investigation performed on an IT consultant who had been deployed to a client site. The client had requested the background investigation in accordance with its own internal program.

Our investigation revealed that the consultant had not earned a degree as claimed. The applicant had also falsified her employment history, claiming employment at a prestigious firm for which she had never worked. The consulting firm was then faced with the embarrassing task of removing the consultant from the engagement and terminating her employment.

Available information and its uses

Examples of the checks included in a background are:

- Social Security Number (SSN) trace to ensure the person is “for real” and not an imposter.
- Criminal records search (state and/or federal courts), typically for the past 7 years
- If the employee will be driving on company business or if a vehicle is necessary to get to work, a driving record may be ordered.
- Credit review including bankruptcy records
- Education/Professional license verification
- Employment verifications and supervisory interviews; this information is matched against the dates claimed in the job application to make sure there are no undisclosed gaps
- Civil court records (state and/or federal courts)
- National proprietary criminal database search
- National newspaper indices

Best practices at professional service firms

Most leading firms use a tiered approach to investigations. The depth of the investigation depends on many factors, including the level of the position within the organization, whether the employee will have access to clients or key corporate assets, the potential exposure that could be created by the employee and the need for integrity and trust. These packages can be tailored to meet the specific needs of a client.

Level 1: Campus Hires

- SSN Trace
- Felony Criminal (1 county)
- Driver's License

Level II: Administrative and Experienced Staff through Senior

- SSN trace
- Education (highest degree)
- Credit report
- Employment
- Felony criminal records (1 county)
- National criminal database
- Driver's license

Level III: Manager through Executive

- SSN trace
- Education (highest degree)
- Professional license
- Credit report
- Employment (7 years)
- Supervisor/reference interviews (2)
- Felony criminal (1 county)
- Civil court records (1 county)
- Federal criminal records
- Driver's license
- National criminal database
- OFAC Database

Partner/Director

- SSN trace
- Education (highest degree)
- Professional license
- Credit report
- Employment (10 years)
- Supervisory/reference Interviews (3)
- Felony criminal records (1 county)
- Civil court records (1 county)
- Federal criminal/ civil records
- Federal bankruptcy records
- Driver's license
- National criminal database
- National newspaper search
- OFAC Database

Compliance

Background screening is a heavily regulated industry and is subject to many state and federal laws, including the federal Fair Credit Reporting Act. Despite its title, the scope of the FCRA extends well-beyond traditional credit reports and relates to the reporting of almost any information for employment purposes. Many states have enacted "Baby FCRA" statutes which provide for additional steps which must be followed when conducting background investigations.

Most of the requirements relate to disclosures which must be made to and authorizations which must be received from the applicant. For example, the FCRA contains strict standards that must be met prior to ordering a background investigation, prior to taking action based on the contents of the investigation and notice requirements after adverse action has been taken. Several states have separate requirements that differ from the FCRA.

Choice of employment screening vendors

Employment screening vendors generally fall into one of two classes; record retrievers and professional investigative firms. As the name implies, a record retriever will generally follow instructions to secure certain data and report the information back. There is no analysis of the information and it is the responsibility of the client to ferret out any derogatory information. These firms rely upon database information and are typically lower in price.

Professional investigative firms specialize in collecting and analyzing data for clients. Often, they hire and train professional investigators and are viewed as a direct extension of our clients' security or HR departments.

About the author: Kevin Prendergast, J.D., is the President of Research Associates, Inc., a corporate investigative firm that exclusively serves the professional services industry. Prior to becoming President of RAI, Mr. Prendergast was General Counsel to the firm and a practicing corporate attorney.