

Maximize Your Hiring ROI:
Background Check Best Practices

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The Surprisingly High ROI for Employment Background Checks

Sample Background Check Assumptions:

1. Salary = \$50,000/year
2. The typical cost of a bad hire for this position = \$50,000 = 100% of annual salary (from a range of 100% to 500%)
3. Percent of final applicants not hired because of problems discovered in background checks = 10% (from a range of 8% to 15%).
4. Cost of a thorough background check = \$250 (from a range of \$150 to \$300).

A Sample Background Check ROI Calculation:

$$\begin{aligned} & \text{Cost avoidance for each thorough background check} = \\ & \text{Salary} * \text{Typical cost of a bad hire (\% of annual salary)} * \% \text{ Applicants not hired} \\ & \text{or} \\ & \$50,000 * 100\% * 10\% = \$5,000 \end{aligned}$$

$$\begin{aligned} \text{ROI} &= \text{Costs avoided} / \text{Cost of thorough Background Check} \\ & \text{or} \\ & \$5,000 / \$250 = 2,000\% \text{ ROI} \end{aligned}$$

For this position, the employer would expect, on average, to avoid \$5,000 in bad hire costs with each \$250 thorough background check. **That is a whopping 2,000% ROI!**

A Growing Problem: Fake and Exaggerated Employment Experience, Education, References, and Related Documents Abound

Many applicants fake, improve, lie on their resumes; provide fake references, fake employers, fake & worthless degrees, exaggerate education claims; and provide fraudulent documents such as pay stubs, diplomas, green cards, SS cards, and letters of recommendation.

Fake id's such as driver's licenses, fake SS Cards, and fake green cards are easy to obtain in any US city.

Our email in-boxes overflow with offers from diploma mills churning out phony and "life experience" degrees. Beyond the co-conspirator spouses, relatives, and friends, web based businesses sell fake resumes, false employment verifications, fake professional references, phony reference letters, and fake diplomas. Software to create bogus documents of all types is offered on the net, including: pay stubs, W-2s, and 1099s.

What Can An Employer Do?

Background Check Best Practices

Establish Basic Policies and Procedures:

- Establish a Background Check Policy. This may only need to be a memo to file.
 - Background check all staff, including executives, full-time employees, part-time employees, temps, contractors, and volunteers.
 - Limit access to background check information and files to select staff.
 - Scale background checks based on a position's risk to the company, clients, public, and fellow employees. For example, you may want to conduct different searches for staff, professional & managerial, and executive positions. High risk positions justify more extensive researches. Examples of higher risk positions include those that work with children or who have access to customer living quarters and executive & finance positions
 - Have your Background Check Provider help you with the necessary employer documentation, applicant notifications, and applicant approvals.
 - Use a Job Application that requires the applicant to document all employment, education, certification, and other job requirements.
 - Provide instructions to applicants to completely fill out the application.
 - Provide place for applicant to sign and certify the accuracy of all information.
 - Provide place for applicant to acknowledge the consequences of false information.
- Note: The Background Check Authorization and Release must be a separate document.

Before the Background Check:

- Clearly identify the skills and experience needed for the position.
- Carefully interview final candidates for each job requirement. This usually requires multiple interviews by several people focusing on experience, technical skills, people skills, communication skills, problem solving ability, etc.
- Check professional references of final candidates (usually best done by the hiring manager).
- View originals of any supporting documents provided by applicants. Make copies for your files.
- Require final applicants to completely fill out and sign the application, certify accuracy of all information, and acknowledge the consequences of false information.
- Provide the applicant required written notifications and obtain applicant's signature on written notification and release.

Conduct A Thorough and Comprehensive Background Check:

Conduct a quality criminal search and education & employment verifications. Verify each important job requirement and check other relevant resources. See, *How to Conduct a Thorough Background Check*.

Follow Through

- Conduct Health Check as appropriate (can not be conducted prior to a formal job offer).
- Verify Full Name and Social Security Number with Federal Government via E-Verify or SSNVS programs (normally conducted post-hire).

How to Conduct a Thorough Background Check

Note: Except for the Workers' Compensation History all searches are usually conducted pre-offer and pre-hire.

Start With A Basic Background Check:

- *Social Security Number Scan*
- *County Criminal Record Check:* Check both felony and misdemeanor files when possible. Check counties of residence, school, and work (last 7 years).
- *Employment Verification:* (last 7 years)
- *Education Verification:* Verify post-high school education (especially for professional and management positions).

Select from the following searches (based on your particular needs):

- *County Civil Record Check:* to determine history of civil litigation
- *Credit Check:* for positions of trust regarding cash, convertible inventory, or finances
- *Federal Criminal Record Check:* expands criminal record checks to include federal offenses
- *Global Homeland Security Search:* checks Homeland Security databases around the world
- *License Verification -- State/Federal:* for positions that require a state or federal license
- *Medicaid Sanctions:* for health care, child care, and social services positions
- *Motor Vehicle Report:* for positions requiring operation of company vehicles or driving on company business
- *National Wants and Warrants:* an important supplement to County Criminal Record Checks (recommended for all applicants)
- *'Nationwide' Criminal Database Check:* useful supplement to County Criminal Record Checks
- *Professional Reference Checks:* an important element of any background check (typically conducted by the hiring manager)
- *Sex Offender Registry Check:* for health care, child/youth/elder care, teaching, residential management, hospitality, social services, and similar at-risk positions
- *'Statewide' Criminal Records Check:* useful supplement to County Criminal Record Checks
- *Workers' Compensation History:* reveals history of workers' compensation claims [This search can only be conducted post-offer or post-hire.]
- *International Searches:* Add as needed
- *Employment Drug Screening:* Add as needed

Remember, when conducting a Thorough Background Check, gathering information from multiple sources provides a clearer understanding of the applicant's qualifications and greatly reduces your risks.

Background All Staff Members: We recommend that you background all your staff, including: executives, full-time employees, part-time employees, temps, contractors, and volunteers.