



SMALL BUSINESS ID THEFT AND FRAUD

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## A **BACKGROUND SCREENING** BEST PRACTICES GUIDE FOR SMALL BUSINESS

**“FOR MOST COMPANIES IN GENERAL AND SMALL COMPANIES IN PARTICULAR,  
BACKGROUND SCREENING IS A HIRING TOOL  
THAT CAN AVOID NEGLIGENT HIRING.”**

Russ Johnson – President & CEO, Merchants Information Solutions, Inc.

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## Why Background Screening is Imperative to YOUR Organization

In looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if they don't have the first, the other two will kill you.”... Warren Buffet

If you are about to hire your next employee – STOP – and take 10 minutes to think through some of the very significant implications facing every business today – whether you have 10 employees or 10,000. Fortunately, in today’s information-rich world there are resources available to businesses of all sizes that can make that next hiring decision safer and more confident. Every business now has the ability to affordably vet candidates for:

- A history of workplace violence
- Termination for employee theft
- Willingness to commit theft
- Experience/skills

In today’s world, this is more important than ever. The safety of your employees/customers, the reputation and financial stability of your company, and the quality of your product and service delivery depend on it.

### The Unfortunate Facts

- According to the Bureau of Justice statistics, workplace violence accounts for 18 percent of all violent crimes.
- Research presented by the Society for Human Resource Management (SHRM) shows over 50 percent of all resumes and applications contain fabrications.
- The U.S. Department of Commerce estimates that employee theft causes 33 percent of all business failures.
- 66 percent of negligent hiring trial cases result in jury awards averaging \$600,000 in damages.

Employers are always looking for a more effective hiring process that enables them to obtain the desired efficiency and diversity within their organization. The goal is to increase productivity, lower costs and lower the possibility of employment litigation. Traditionally, the hiring process required the candidate to complete an employment application, the application was reviewed by a manager and if approved, there was an applicant interview. These steps help to identify the “ideal” candidate; however, to obtain the complete picture of an applicant, an organization must also employ a reasonable and reliable comprehensive background screening process that provides a holistic view of the applicant including past behavior, personality, job skills, and work ethics. While this type of comprehensive background screening used to be the exclusive realm of large companies, it is now available and affordable to employers of all sizes. There are many benefits:

- Reduced potential litigation
- Improved attendance and lower turnover
- Reduced workers’ compensation costs
- Reduced employee theft
- Reduced healthcare issues
- Improved productivity

### **What is Negligent Hiring?**

From a legal standpoint, **Negligent Hiring** is the concept that employers have an obligation to protect their employees, clients, and other third parties from harm caused by any employee within the organization.

It is important to mention that employers can be held liable for facts that are known, or should have been discovered, regarding an employee's character or job-related experience during a standard background investigation. In order to avoid questions of negligence, employers need to perform their due diligence by conducting background checks on every employee hired. Prior to officially on-boarding a prospective employee, employers must complete a thorough background check. This

can include, but certainly is not limited to, contacting an applicant's former employers, checking references, conducting a criminal background check, as well as validating the applicant's identity.

No employer is immune from a lawsuit resulting from negligent hiring practices. But, if an organization takes steps to make sure that their process is as complete as possible, the chances of a lawsuit can be abated. If you hire someone and do not use "reasonable care" to validate their fitness for duty, an individual could negatively impact the workplace as a result of negligence. If an organization is aware, or has reason to believe, the employee is unfit for duty the employer can be held liable for negligent hiring. Can your business survive the kind of financial hit that negligence can bring?

From a personal standpoint, how will you feel if one of your employees or customers were injured or killed by someone you hired that had a history of workplace violence? Looks can be deceiving. After all, how many times do you hear an interview on the TV news: "But he was such a nice, quiet man... a really good neighbor?" Chances are, there was a history - his neighbors just didn't know about it.

### **A Smart Financial Decision**

Every applicant is truthful, but to what extent? Some omissions are inadvertent and/or irrelevant. Some omissions or lies are to hide something, or to present themselves in a more favorable light. Additionally, some candidates are simply pre-disposed to theft and will actually tell you this if asked discretely.

The background screening matrix contained within this whitepaper details the most frequently used background screening tools; however, more and more "forward thinking" organizations of all sizes are using additional assessment tools to provide a more robust screening process which ultimately optimizes their workforce and their organization.

Included here are integrity tests, which can be divided into two types: personality based tests and overt integrity tests. Specifically, overt integrity tests that focus on identifying applicants who are

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capabilities with job board integration, integrity or personality test assessments, in-house international search capabilities or a partnership established to handle international requests, finger printing, drug testing as well as traditional background investigations.

### **The New Industry Standard**

Background screening companies are now held to a higher standard. In 2010, the industry's trade association, the National Association of Professional Background Screeners (NAPBS) has identified the first round of companies that have been "Accredited" by NABPS. Being "Accredited" means that the background screening company has passed both a rigorous written examination and an on-site visit by industry professionals to ensure the organization is adhering to "best practices" within the industry. Users of their services can feel comfortable they have invested significantly in their business processes, practices and infrastructure and are doing things the right way. When searching for a background screening provider it should be one of the first questions you ask. Are you a member of NAPBS and are you Accredited by NAPBS?

### **Negligent Hiring Conclusion**

As a business owner you have a responsibility to avoid "Negligent Hiring". Comprehensive background screening is available and affordable. Cutting edge companies are looking beyond just the basic background screening tools.

Upgrade your process by considering integrity testing, but do your homework. Direct financial benefits though improved performance and reduced theft as well as reducing the likelihood of workplace violence, and the associated legal liability.

Ask your current vendor if they are a member of NABPS and what their plans are for accreditation. Visit the NAPBS website to see if they made the grade. Does your vendor provide your business with all of the services you need to succeed?

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Remember, the organization with the **“Best People”** will win!

## BACKGROUND SCREENING MATRIX – BEST PRACTICE SEARCHES

INSTANT SEARCHES	
<b>SSN Address History</b>	Using a name and social security number, a past address history search retrieves information from the credit bureaus and reveals where a subject has lived and or filed for taxes. Report often shows AKAs associated with the SSN provided. With this information, you can begin to run some of the most basic but powerful searches for criminal records; the county and statewide criminal searches.
<b>Instant Nationwide Criminal/Sex Offender</b>	<i>Results received from the Nationwide Criminal/Sex Offender search should be confirmed at the originating court house by ordering a county criminal search.</i> The National Criminal/Sex Offender search retrieves current data available from all states who post to the state’s specific Corrections Database and Sex Offender Database. Not all states contribute to these databases and some states only provide data to the sex offender database (DE, MA, SD and WY.)
<b>Instant State Criminal/Sex Offender</b>	This search pulls the same information as the Instant Nationwide Criminal/Sex Offender search but limits the results to the selected state.
<b>Instant Terrorist Watch List</b>	TERRORIST DATABASE - We check the Specially Designated Nationals and Blocked Persons list maintained by the Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury with every criminal search. OFAC administers and enforces economic and trade sanctions based on United States foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction. As part of its enforcement efforts, OFAC publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific. Collectively, such individuals and companies are called "Specially Designated Nationals" or

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	<p>"SDNs." Their assets are blocked by law and American individuals and companies are generally prohibited from dealing with SDNs. Results have full name, date of birth if known, address, country, title, program, remarks like AKA's. These records are screened individually and carefully, and reported to the proper law enforcement entities when a match is made. This dataset does NOT contain DOB's.</p> <p>We also search:</p> <ul style="list-style-type: none"> <li>• Interpol Most Wanted</li> <li>• Denied Persons List</li> <li>• The Memorial Institute for the Prevention of Terrorism (MIPT) Terrorist Knowledge Base</li> <li>• Palestinian Legislative Council (PLC) List</li> <li>• OCC Enforcement Actions List</li> <li>• Federal Bureau of Investigations (Addtl Violent Crimes)</li> <li>• Federal Bureau of Investigations (Crimes against Children)</li> <li>• Federal Bureau of Investigations (Criminal Enterprise)</li> <li>• Federal Bureau of Investigations (Cyber Crimes)</li> <li>• Federal Bureau of Investigations (Domestic Terrorism)</li> <li>• Federal Bureau of Investigations (Violent Murders)</li> <li>• Federal Bureau of Investigations (White Collar Crimes)</li> <li>• Federal Bureau of Investigations (Most Wanted Terrorists)</li> </ul>
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**DRUG SCREENING**

<p><b>RADAR 5- Panel Drug Screen</b></p>	<p><b>Drug Screen (HHS/DOT), Urine (Five Drugs) Drugs Tested:</b></p> <ul style="list-style-type: none"> <li>• Amphetamines</li> <li>• Cannabinoids (THC)</li> <li>• Cocaine</li> <li>• Opiates</li> <li>• Phencyclidine (PCP)</li> <li>• Creatinine, Reflexes to specific gravity if &lt; 20</li> <li>• pH</li> </ul>
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<p><b>5/7/9 Drug Panel Screen</b></p>	<p>Drug Screen (HHS/DOT), Urine (Five Drugs)</p> <p>Five Drugs Tested</p> <ul style="list-style-type: none"> <li>• Amphetamines</li> <li>• Cannabinoids (THC)</li> <li>• Cocaine</li> <li>• Opiates</li> <li>• Phencyclidine (PCP)</li> <li>• Creatinine, Reflexes to specific gravity if &lt; 20</li> <li>• pH</li> </ul> <p>Seven Drugs Tested</p> <ul style="list-style-type: none"> <li>• Amphetamines</li> <li>• Barbiturates</li> <li>• Benzodiazepines</li> <li>• Cannabinoids (THC)</li> <li>• Cocaine</li> <li>• Opiates</li> <li>• Phencyclidine (PCP)</li> </ul> <p>Nine Drugs Tested</p> <p>Amphetamines</p> <ul style="list-style-type: none"> <li>• Barbiturates</li> <li>• Benzodiazepines</li> <li>• Cannabinoids (THC)</li> <li>• Cocaine</li> <li>• Opiates</li> <li>• Phencyclidine (PCP)</li> <li>• Methadone</li> <li>• Propoxyphene</li> </ul> <p>All panels include test for Ecstasy (MDMA).</p>
<p><b>D.O.T. 5 Panel Drug Screen with MRO</b></p>	<p>DOT regulations specify that the results of each test be reviewed by a Medical Review Officer (MRO) for further analysis.(DOT Equivalent), Urine (Five Drugs)</p>
<p><b>5/7/9 Drug Panel with MRO</b></p>	<p>In addition to the different panel tests, all results will be reviewed by a Medical Review Officer (MRO) for further analysis.</p> <p>Drug Screen (HHS/DOT), Urine (Five Drugs)</p>

<b>CRIMINAL RECORD</b>	
<b>County Criminal</b>	A search is conducted at the specified county for all felony and misdemeanor convictions that have occurred during the time period requested. Results do not include non-conviction information. Some court fees may apply.
<b>County Civil</b>	Civil history records provide information about: divorce, product liability suits, violation of civil rights, judgments, nonpayment of goods and other similar cases. These cases can be found at county levels. Unless otherwise specified and an additional fee is paid, records are only searched back 7 years. Some court fees may apply.
<b>Statewide Criminal Search</b>	A search is conducted across all county courts for all felony and misdemeanor convictions that have occurred during the time period requested. Results are based upon data recorded by the specific state. Some states require a signed state specific release form or Notarized State Form and or additional information from the candidate prior to releasing recorded information
<b>Federal Criminal search</b>	Some offenses are violations of Federal law as opposed to state or local law. Record of these crimes can be located in the US District Courts. Each state has at least one US District Court, while others are divided into as many as four districts in separate geographical regions. Federal violations generally will not appear in either a county or statewide criminal check. Only a small percentage of criminal cases are violations of Federal law. However, Federal offenses can be very severe involving kidnapping, drug trafficking, interstate transportation of stolen goods, bank robbery, and embezzlement.
<b>Federal Civil Search</b>	Federal civil records are searched at an appropriate US District Court. Cases are typically related to interstate commerce, violations of civil rights, issues involving the federal government, financial institutions, etc... Approximately 93% of Federal Districts currently have basic docket records accessible electronically. The records, however, are limited to that specific district within that state. We access Federal District Court records daily to obtain the information you need to make informed hiring decisions.

<b>VERIFICATION</b>	
<b>Past Employment Verification</b>	Draws on previous employers knowledge of applicant during the period of employment specified in the application. The information obtained by the interviewer includes but is not limited to: dates of employment, character, salary, title, and performance.
<b>Past Employment Verification (DOT compliant)</b>	Verifies previous employers in compliance with Federal Motor Carrier Safety Administration rules under section 391.23 Qualifications of Drivers. Verifies employment history, drug and alcohol history and accidents and incidents. The information obtained by the interviewer includes but is not limited to: dates of employment, character, salary, title, and performance
<b>Education Verification</b>	Confirms applicants' highest level of education. We will verify institutions, dates, major areas of study, degrees earned and transcript information
<b>Reference Verification</b>	Confirms applicant's claims of dependability, integrity and character through contact with business and personal references.
<b>Professional License Verification</b>	Verifies professional license and certifications, as well as providing the subjects professional standing with a regulatory body. Based on the information submitted, we contact the necessary licensing agencies, and verify standing, as well as verifying dates and any other information crucial to the license.
<b>I-9 E-Verify</b>	The I-9 Verification is a verification of a person's right to work in the United States. The information is provided by the United States Government and may only be used to verify eligibility once the applicant has been accepted as an employee. Clients must sign a Memorandum of Understanding which will be reviewed and approved by the DHS prior to activation of I-9 E-Verify service for the client.
<b>MedCheck</b>	Searches for sanctioned and debarred individuals. It reports on more than 50 types of healthcare professionals and organizations ranging from physicians to home health agencies and ambulatory services. Records are compiled from over 800 state and federal resources, such as the OIG and FDA.

<b>Office of Inspector General Check</b>	Searches for names of excluded individuals and entities with the Health and Human Services Office of the Inspector General.
<b>SSN Validation</b>	Validates year and state of issue and number combination
<b>Workers Compensation</b>	A statewide search which provides the injury description, injury date, filing date, weekly compensation rate, and the compensation time frame.
<b>FCRA-COMPLIANT SEARCHES</b>	
<b>Driving Records</b>	Covers driving records in all fifty states. These reports can include records of: driving while intoxicated, revoked license, accidents, minor traffic violations. Because driving records are held in state bureaus and have access to all counties in the state and sometimes other states, they can be very useful for general screening purposes. Records are only searched back 3 - 5 years. Some court may fees apply.
<b>Credit Report</b>	Checks major credit bureau for credit history.

## NOTICE AND DISCLOSURE

This eBook is not intended to offer professional consulting services or legal advice. This eBook is intended to provide basic direction, guidance and concepts for small business owners and small business executives.

No one company can ever prevent itself from having an ID Theft, data breach or fraud event. Merchants Information Solutions, Inc. (Merchants) and its Advisory Board recommends all companies and organizations seek professional consulting services and legal advice regarding the content of this document.

This eBook is a working document and will be updated to reflect Small Business ID Theft and Fraud trends and regulatory/compliance updates on an ongoing basis.

## eBook

## CONTRIBUTING AUTHORS:

Russ Chacon  
Senior Director  
Paypal  
<https://www.paypal-media.com/aboutus.cfm>

James Collins  
VP of Sales and Marketing  
Merchants Information Solutions, Inc.  
[www.merchantsinfo.com](http://www.merchantsinfo.com)

Russ Johnson  
President & CEO  
Merchants Information Solutions, Inc.  
[www.merchantsinfo.com](http://www.merchantsinfo.com)