

# Stop the Insider Threat...

## Annual Employee Background Checks

### Background

In today's working world, most companies choose to applaud ROI and the validity of background screening checks for all new employees. Depending on the Industry and regulations, the actual scope of a Background check spans from a simplified Social Security validation and a single county criminal check (costing approximately \$15.00 ) to a very extensive screening including drug testing, fingerprinting and some type of skills or psychological based testing ( \$135.00 ). Regardless of the actual screen, one thing remains clear; companies realize the value of adequately screening candidates to reduce the risk of a bad hire.



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## Hard Facts\*

- 18** - Number of months before the average fraud scheme is detected
- 75** - Percentage of fraud offenses committed by men
- 85** - Percentage of worst frauds committed by insiders on the payroll
- 55** - Percentage of perpetrators who are managers, up from 33%
- 30** - Percentage of business failures primarily due to THEFT
- 27** - Percentage of employees who say they feel comfortable reporting fraud on a confidential hotline, managed by people outside their industry
- 20** - Percentage of employees who say they feel comfortable reporting fraud in an anonymous letter
- 44** - Percentage of employees who say their companies could do more to REDUCE fraud
- 60** - Percentage of companies with staff trained to deal with fraud and ethics related issues – up from 30% in 2000
- \$60,000** - Median loss when managers and executives are involved in fraud.

*\*2010 ACFE Report to the Nations on Occupational Fraud and Abuse*

## Existing state of affairs

When we examine this at a deeper level, we conclude that “risk”, is defined in many ways. Some examples include:

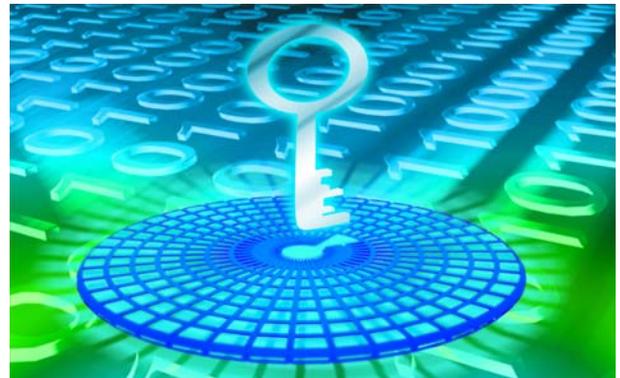
- Is the candidate qualified for the position?
- Do they fit the organizational and managerial culture?
- Are there any past or current behavioral problems or tendencies?
- Have they committed, or have a history of felonies or misdemeanors of significance?
- How does this candidate handle change and diversity?
- Can this candidate handle the stress and pressures of the position?
- Does this candidate meet the minimum educational requirement?
- How long can you expect this candidate to remain an employee?

These questions, along with numerous others are being asked by hiring managers every day. With the assistance of the screening process these

questions can either be put to rest or the candidate is labeled unqualified.

When we research the reasoning behind background screening job candidates, the general reasons are:

- We want to be sure we have the best qualified candidate to choose from
- We want to be sure the candidate is a person that we can trust
- We have a brand to protect, we must be sure that a candidate meets our requirements
- Hiring the wrong candidate will lead to higher Workers comp claims, and turnover
- Training new employees is costly; we need to get it right the first time
- We promote a safer workplace for all employees
- We have intellectual property that needs to be protected at all cost



These are just some of the many reasons why background screening job candidates is so paramount in today's “best hiring” practices.

When you stop and think about the protective nature of businesses today, we have to admire the tenacity to select the best candidate, and applaud the valuation of the employees and their own culture.

## Looking Forward

BUT, here is a question that each organization must ask and answer:

“If it was so important to screen candidates before they came in contact with your employees, culture, intellectual property, and clients, then WHY is it not as or even more important for all employees to be

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screened on an ongoing (annual) basis to protect these assets going forward?"

Think about it. Once hired, every employee now has the "keys to the kingdom". Depending on their level or position, they now have access to all the inner sanctums of your organization. Are you hoping that because they were good and clear on their original screening check that they will always remain the same? Statistics say otherwise. People change for a variety of reasons, and unfortunately some changes are detrimental. There is never a "good reason" to do something illegal.

Some of the most common causes for changes in employees are:

- Credit problems
- Elderly parent care
- Drug addiction
- Marital problems
- Divorce
- Unhappy employees
- Little supervision
- Entitlement
- DUI conviction
- Legal debt
- College expense

There are far too many reasons why people change to mention. Many companies have policies that require employees to report any activity to their Human Resource department which can be interpreted as a risk to the organization. When was the last time you heard of, or saw people standing in line outside of the Human Resource department's door, waiting to acknowledge their guilt? The fact is - you probably never will.

No one wants to admit to failure or wrongdoing, especially with today's unemployment rates. It's human nature to deny, not to mention embarrassing. What happens next is what we call Cognitive Dissonance, or one's ability to rationalize their behavior as being normal. This is exactly the thought process that ends up costing companies millions of dollars each year in productivity, shrinkage, brand deterioration and turnover. Every dollar lost is a dollar NOT going to the bottom line.

Estimates from 2009 show that organizations lose 7% of their annual revenue to fraud/theft. Based on 2009 GDP, a 7% figure would translate to approximately **\$988 billion** in fraud/theft losses.

Companies spend millions of dollars on technology to prevent this number from growing, and year after year the number continues to rise. It's not just publicly traded companies solely affected by these problems - privately held companies show even greater losses by comparison! Your organization is never too big or too small to feel the effects of fraud and theft. In addition, all industries across the board have similar problems. One thing is for sure; Fraud/Theft is an equal opportunity loss occurrence.

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## The Solution

There is a solution for limiting Fraud/Theft in your company. It is simple, painless, and extremely cost effective. Don't rely on employees to admit to mistakes which violate the policies of your company. Take a proactive approach and make part of your company's policies and procedures that every employee, regardless of position, MUST be screened on an annual basis, or at time of promotion, or better yet, BOTH.

This does not have to be the same full blown background screening that you employ on new candidates, but a more focused look at criminal records, MVR (when there is a driver or company car involved), and Credit. An annual check will cost you a fraction of the cost of an original screen, with tremendous benefits.

First you will remove those employees which have violated company policy, saving you the worry of problems, loss and high Workers Comp rates, and second it will keep all employees on alert that they need to stay in good standing to continue employment.

In our current political and economic climate, we see a paradigm shift in the way some states view

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the validity of credit reports, and thus are enacting laws to alleviate their use in the hiring process. While the "intent" may be honorable, it reduces a company's ability to uncover the complete makeup of a candidate or employee. We must always be fair and prudent to all candidates, but those risking the capital are the ones that need to be vigilant in their hiring and eligibility of continued employment policies.

The simple fact is that fraud and theft is NOT a one-time occurrence and today companies spend 20% of every dollar on employee theft!

Up to now, companies have protected themselves from outside intrusions, by screening candidates. They have also spent millions of dollars in technology, which is another sound investment. It is time to STOP the "intruder from within", your employees.

We at Merchants Information Solutions, [www.merchantsinfo.com](http://www.merchantsinfo.com), can assist you in setting up the best program for your company by simply calling us @ 602-350-4531 and asking for information on Annual Checks.

LET US HELP YOU.

James B. Collins

## [About James B. Collins](#)

James Collins has over 20 years of experience overseeing the Sales and Marketing functions for some of the largest pre-employment screening companies in the country. Most recently, Mr. Collins was President of HRPlus Screening Services, a division of AlliedBarton, and prior to that served as President of the Commercial Services Division of USIS. Before that, Mr. Collins was the Vice President of Sales & Marketing for ChoicePoint, Inc. Mr. Collins has appeared on World Business News with General Alexander Haig and is an author and speaker on Best Practices in Screening candidates and employees.

## [About Merchants Information Solutions, Inc.](#)

Merchants Information Solutions, the exclusive provider of the Merchants Pre-employment Integrity Test which is proven to reduce worker compensation rates an average of 60%, is a national leader in background screening for employers and residential communities as well as a leader in ID Theft Restoration Affinity programs. Honored to have as company national spokespersons Jerry Colangelo and Harvey Mackay, Merchants was founded nearly a century ago and is dedicated to delivering world-class identity theft and background screening solutions. Merchants is the only NATIONAL SINGLE SOURCE PROVIDER of all recognized background screening tools and services for employers and multi-housing communities.

