



"Reliable Information For Business Decisions"™



HIRING MISTAKES - HARD LESSONS LEARNED

Who Were Those Guys?

From 2012-2013, several local businesses were victimized by a variety of costly fraud and embezzlement schemes. In almost every case, the perpetrators were current employees or sub-contractors. Without exception, all had unfettered access to company premises. Roughly two-thirds of these crimes were committed by employees who had no pre-employment screening, but what they **did** have were prior criminal convictions! For the remaining one-third, the level of screening research proved grossly inadequate.

Within the business community a common, and oft-times costly, misconception is all too prevalent. Many companies sincerely, yet erroneously, believe that pre-hire background checks are simply routine, regular, or "one-size-fits-everyone". Far too frequently employers will request identical levels of screening regardless of the open position. Although that may be better than no screening, it is neither best practice nor the most efficient use of company funds.

Hypothetically, consider the positions of office clerk and accounting manager. The managerial-level person (especially one with financial and supervisory duties)

usually poses a far greater dollar-loss risk than the clerical employee, according to the *Association of Certified Fraud Examiners*. Hence, increased diligence for the potential manager is both lawful and prudent.

But She Seemed So Nice

Many employers feel that every applicant should be free of relevant criminal convictions. From an investigator's perspective, it is rather hard to disagree with such logic. Nevertheless, a good solution is to check the applicant's current county of residence, along with any other counties of residence over the past several years. It is noteworthy that of all applicants screened for our clients last year, about 8% had felony and/or serious misdemeanor convictions on record. This should be concerning, since many experts conclude that past behavior is an excellent indicator of future conduct.



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Additionally, when the position requires company-related driving (office errands, off-site meetings, deliveries, etc.) driving records should also be obtained to evaluate the potential risk. Mishaps such as on-the-job auto accidents could create significant liability for an employer. Driving records are also useful in helping to verify identities/aliases and birthdates. Suspended or revoked license statuses, DUI convictions and traffic warrants, are often revealed as well.

For applicants seeking upper-level positions, such as an accounting manager, it is appropriate to expand the search for federal-level convictions, recent bankruptcies, unpaid tax liens, unsatisfied judgments and related concerns. College degrees and professional certifications need confirmation too, as nearly half are exaggerated or outright bogus (as reported by the *National Student Clearinghouse*). Prior employers should be contacted for feedback. If the prior employer is uncooperative, there are other options. The applicant usually has access to copies of performance evaluations and separation documents from previous employers and should be able to provide them to you upon request.

Now What The #*%@ Do We Do?

Proceed with caution when outsourcing any investigative screening functions. Insist on proof of a state-issued license, along with current liability insurance certification (preferably, naming your company as an "additional insured"). With the abundance of some questionable internet-based services that are only a few key-strokes away, use great care when selecting a provider.

Include employment counsel when establishing your screening and documentation process. Several California and federal statutes pertain directly to hiring techniques. Authorization requirements are very specific and discrimination is prohibited.

Failure to conduct adequate pre-employment checks often has adverse consequences. This is a fact that many local businesses can attest to firsthand. Conversely, a practice of relevant, pre-hire screening will directly benefit a company and its employees. Crime-free and productive workplaces are the best for all concerned. Many serious losses can be avoided, IF we learn from the mistakes of others.

Gordon J. Schmidt, CPI, is the president of Palomar Investigative Group, Inc., a fully-staffed, licensed and insured agency. Palomar has served California businesses since 1991.



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1.866.931.1300
www.piginc.com

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