

FREE eBook

The Complete Employer's Guide to Background Checks & Reports

A **GoodHire** publication



GoodHire.com is an easy-to-use tool for employers to run legally compliant employee background checks in minutes.

We search. We have one of the biggest record databases online.

We inform. Receive smart analysis and useful results in clear reports.

You decide. Confidently hire with peace of mind.

[Run a Report](#)

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Introduction

Why should you read this?

Let's face it: understanding and running background checks on new employees can be daunting and stressful. Even though 85% of companies and organizations run background checks, job applicants continue to bend the truth to get hired.¹ This high percentage can be attributed to the fact that many employers do not fully understand which combination of reports are worth investigating in order to conduct a thorough background screening. With so many items on your to-do list, it can be difficult to research the ins and outs of a legally compliant screening process. GoodHire wants to make your life easier.

With this informational guide, you can better understand background screening reports, so you can know which key sections to pay close attention to in order to confidently hire top-notch individuals for your fast-growing business.

1

Background Checks 101

Why are background checks important?

The #1 reason for conducting background checks on employees is to avoid job fraud.

What is job fraud?

Job fraud refers to purposeful inaccuracies or false information that a candidate presents to an employer when applying and interviewing for a position. These inaccuracies can range from misrepresented information about employment or education history to infractions with the law.

How does job fraud affect your company?

Prospective job candidates who are not properly screened for job fraud can negatively impact your organization. For example, an individual who misrepresents their education or work experience may not produce high quality results. If individuals are not honest about their criminal histories, they may contribute to an unsafe work environment. Lastly, poor employment-screening practices can lead to complicated and costly lawsuits.

Here are the statistics:

- 53% of applications submitted by job candidates to hiring managers contain at least one inaccuracy.²

- Companies have lost more than 79% of negligent hiring cases, with instances where employers lost up to \$40 million.³
- A 2012 study reveals that 75% of employees have stolen at least once from their employer.⁴
- The National Survey on Drug Use and Health announced that in 2011, about 9.8 million full-time employees 18 years of age or older abused drugs or alcohol within the last 12 months.⁵
- In 2011, there were a reported 458 workplace homicides.⁶

How can background checks help prevent job fraud?

The best way to avoid job fraud is by conducting a thorough interview and completing a screening process before bringing a candidate onboard. Background checks allow employers to confirm that a job applicant is being truthful about their experience and are qualified for the position. Companies that do not run background checks risk potential legal liabilities and other safety issues.

So, what's a background check anyway?

A background check is a legal investigation into an individual's past. Since you are screening an individual for hiring purposes, you cannot simply run a search for a job candidate on the Internet. Instead, **employers must implement FCRA compliant screening protocols to make sure all safety and regulatory liabilities are addressed while protecting job candidates from privacy breaches and discrimination.** Negligent hiring cases have been known to cost companies an average of \$1 million.

Hiring managers have the freedom to choose which reports to include in a background screen. With a range of reports to choose from, the employer must decide what information is valuable while also being mindful of time, cost, quality, and candidate job responsibility. The following chapters will provide a basic understanding of information that is worth investigating.

What reports will this eBook cover?

Below is a list of reports an employer may acquire about a new hire.

- Identity Research
- Verification and References
- Criminal Records
- Sex Offender Checks
- Motor Vehicle Checks
- Terrorist Watch List
- Employment Credit Checks
- Drug Testing

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Legal Compliance

How to Run Legal Employment Background Checks

When conducting background checks on behalf of your company, there are several legal compliance issues to consider. Since these background checks are used to make hiring decisions, the Fair Credit Reporting Act (FCRA) requires that employers abide by a certain protocol to avoid discrimination, protect employee privacy rights, and obtain only relevant and accurate information.

10 steps to ensure your business is compliant with FCRA regulations:

- 1. Provide written disclosure.** Job candidates and current employees must understand that they will be screened, and that any results within the report may contribute to decisions around hiring, promotion, or retention.
- 2. Obtain consent.** Employers must get written authorization from the job candidate or employee before screening them.
- 3. Provide information.** Candidates are entitled to request and receive information about the credit reporting agency conducting the search, along with any information about rights they have under state and federal law.

4. Run the report. After the above has been completed, a third party agency can screen a job candidate or employee on behalf of your company.

5. Analyze the results. After the background report is completed, the employer can review the results. A copy must be provided to the screened individual if requested.

6. Make a hiring decision. If an employer determines that any information from the background report is reason to deny employment, they must follow additional steps to ensure compliance. If no adverse action follows the background check, an employer is successfully in compliance with the FCRA.

7. Notify Adverse Action. If an employer refuses to hire or promote, or terminates an existing employee based on information gathered from a background check, the employer must notify the individual of the adverse action in writing. The employer must also provide a copy of the background report and “A Summary of Your Rights under the Fair Credit Reporting Act.” Employers can receive this information by contacting the consumer reporting agencies that serviced their background screening.

8. Allow for Review. The FCRA recommends a waiting period of five business days before pursuing an adverse action as a way to provide an opportunity for the individual in question to dispute information.

9. Reinvestigate disputed items. If any items on the report are in dispute, a background screening company can re-investigate those items and provide an updated report to both employer and applicant/employee.

10. Finalize Adverse Action. If an employer has followed all steps in conducting a background check, then an adverse action can be completed. A final employment decision can be made, and if that decision is adverse, the employer should send a notice of adverse action to the applicant/employee.

For more detailed information about FCRA and Adverse Action compliance, please refer to [GoodHire Resources](#). Every state has slight modifications to the federal law, so make sure to check out the [Background Check Laws by State Resource](#) to see what laws apply in your specific region of the country.

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Identity Research

Are applicants really who they say they are?

Identity research is the most basic form of information that all employers should request about their new and existing employees. Identity research confirms that a job candidate is actually who they claim to be.

In 2013, the US government attributed a \$21 billion loss to identity theft alone.⁷ While you may feel confident about an applicant's identity, this staggering statistic is a reason to be careful and properly conduct identity research.

The easiest way to obtain this verification is through a Social Security Number Trace to make sure that the information provided by the job applicant actually matches state and national databases, credit bureaus, and drivers license files. Using this information, an employer can gather a list of addresses and names associated with the individual to confirm the identity of the new hire.

To conduct this basic background search, ask the applicant for his/her social security number and two separate forms of photo identification, such as a driver's license or passport.

4

Verifications and References

Did you really attend Harvard?

The most commonly misrepresented information on a résumé is education and experience. In fact, many influential figures have provided false information on their Curriculum Vitae, or CV. An example of such a case is the ex-CEO of Yahoo, Scott Thompson, who embellished the details of his college education and was terminated by the company after four months.

A recent report showed that 21% of résumés contained fraudulent degrees, 29% showed altered employment dates, and 33% had inaccurate job descriptions.⁸

While an applicant may view these falsifications as minor fibs, these lies are serious and can ultimately hurt your company's performance. Verifying education and employment claims from the start can prevent issues down the road. GoodHire contacts educational institutions and businesses directly to confirm records of an individual's background.

Very few companies conduct verifications on references from former supervisors and coworkers. If you decide to follow through and reach out to the applicant's listed references, make sure to ask for other related names and contacts who can provide secondary feedback.

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Criminal Records

Do past crimes affect job performance?

By definition, a crime is an act or omission that constitutes an offense that is punishable by law. Criminals are subject to prosecution by the State. Within an individual's criminal record, you can find a summary of all infractions and contacts that the person has made with law enforcement agencies.

The two main categories of crimes include felonies (serious crimes) and misdemeanors (minor crimes). As an employer, you must define what your organization values and where to draw the line when screening employees and making hiring decisions.

Criminal record checks are arguably the most important yet most complicated form of background check an employer can run on an applicant. An individual's criminal history not only affects a company's safety, but also job performance and qualification. For example, if you are hiring a stock manager who handles inventory and funds—a job that requires a high level of trustworthiness, it is important to see if the individual has ever been charged with theft.

Criminal records fall into three main categories: **national, state, and county records.**

National Criminal Record Checks

Many employers depend solely on ‘national’ criminal records. These national databases are compiled by data brokers and consist of a few counties and state criminal record repositories. Unfortunately, national checks are likely to miss crucial information and should not be relied on as the only criminal check. In fact, in a random audit, the FBI reported that criminal records were 50% incomplete.⁹ National criminal checks also tend to inaccurately link records to individuals. For example, common names like John Smith may have someone else’s criminal offenses attached to their records under the national database. Because of the large volume of records the national database holds, it can not always accurately link the right information to the right individuals.

State Criminal Record Checks

The process of creating state criminal record databases requires local jurisdictions to report all individual criminal records to the state. While this system may seem logical and can lead one to expect a robust repository of state criminal records, unfortunately the reality is that this process cannot be executed properly due to administrative, staffing, and technical issues, leaving many holes in state-wide public records. Records can take anywhere from months to years to reach state criminal records repositories, meaning that any employer

relying solely on state data is likely to miss out on pending cases, dismissed cases and unreported convictions.

County Criminal Record Checks

While county criminal records can be a bit more time-consuming to search through, they are likely to be the most accurate and updated. As a best practice, employers should run county checks for each of the locations in which an individual has lived. National and state-wide checks are recommended supplements to county records since they may catch individuals with “traveling offenses.” Traveling offenses occur within counties which aren’t listed on the individual’s residential history.

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Sex Offender Check

Is your applicant on the sex offender list?

Sex offender reports are similar to criminal checks. National and state sex offender registries contain the names of individuals who have committed crimes of a sexual nature. There are close to 747,400 registered sex offenders in the United States.¹⁰

There are obvious reasons to run sex offender background checks on potential job candidates. In service industries where employees interact with other individuals or children, **these checks are strongly recommended** and may even be required by local or state laws. Employers should discuss these topics with hiring managers to outline red flags in order to decide if sex offender checks are pertinent to your organization's needs and values. For example, a day care may want to run sex offender checks on their employees to provide a guarantee to the parents that their children are in good hands.

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Motor Vehicle Check

How many traffic violations does your new hire have?

(MVRs) are an important way of investigating driving histories and confirming basic identity information such as date of birth, name, and address.

This type of report also allows an employer to verify if an individual is safe on the road, regardless of whether their job requires driving or not. For example, if an applicant is interviewing for a delivery position, traffic tickets or accidents can be a warning sign. In many states, DUIs appear under MVRs, not criminal records, so it's important to be thorough when screening a potential employee.

GoodHire conducts Professional License Verifications for driving-specific job candidates to confirm valid licenses in good standing.

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Terrorist Watch List Check

What's included in the terrorist watch list?

The United States government has its own domestic list of individuals who are known terrorists, drug traffickers, or importers of weapons of mass destruction. As your company aims to hire the most qualified individuals, it is important to dig into applicant history to find out if any of these issues appear on record. Furthermore, **neglecting these checks can lead to legal troubles for your business if an employee breaks the law while working at your company.**

Negligent hiring in this department can put your existing employees in danger. All employers are highly encouraged to run both domestic and global terrorist watch list checks on job candidates.

9

Employment Credit Checks

Why do employers run credit checks on job candidates?

A credit report includes information around an individual's financial activity. This report can be indicative of whether a job candidate has paid their bills, taken out loans, filed for bankruptcies, and more.

Recently, there has been uproar around whether credit checks should be allowed legally by employers to make hiring, promotion, and retention decisions. Many employers feel that running this check reduces the risk of theft, especially if the position they are being considered for deals with handling cash, banking, accounting, property, or other finances. Obtaining this information paints a complete picture of an individual and employers can understand the candidate fully before allowing them to join the team. However, many others in opposition to credit checks argue that conducting this kind of search is unnecessary since it provides no clear proof of how an employee will perform in their role. Furthermore, many individuals argue that since a credit report does not determine job competency, any decision made because of this specific information can be deemed discriminatory.

Despite the controversy and personal or company opinions on the topic, credit checks are extremely common. According to a 2012 study by The Society of Human Resource Management ¹¹,

47% of employers run credit reports on at least some of their employees or job candidates. It is up to your business and hiring team to decide whether credit checks are a worthwhile investment in the hiring process.

If you decide that this information is valuable, you as the employer must make sure that you comply with the Fair Credit Reporting Act to prevent breaching candidate or employee privacy rights. **The FCRA requires employers considering credit screens to follow state and federal law by:**

1. Notifying and obtaining written authorization from a job candidate or employee that clearly acknowledges that the credit check is included within the background screening process. This is usually conducted through a separate document that communicates to the individual that the findings in a credit check may be considered during the hiring process.

2. Obtaining signed consent from employees and job candidates before running any reports. Employers must also provide individuals with a free copy of their report if they ask for it.

3. Providing a copy of their report if adverse action is being considered. Employers should also provide a summary of their rights under the FCRA and a pre-adverse action disclosure that includes information about the credit-reporting agency that

was used to obtain the report. A copy of the credit report should be given to the individual before any action is taken so they have ample time to review the document's contents and dispute any inaccuracies they find.

10

Drug
Testing

What do I need to know about employment drug screening?

Many employers choose to drug test their job candidates and existing employees to ensure safety and to eliminate any possible negative impacts of drug abuse at the workplace.

Employers prioritize this because they believe drug testing helps prevent tardiness, theft, attitude problems, decreased productivity, violence, accidents, and more. The most popular way to conduct drug testing with employees or candidates is by sending them to certified laboratories where they provide a urine sample for analysis. Drug screening can be conducted for a variety of drugs including but not limited to marijuana, cocaine, opiates, amphetamines, prescription drugs, and alcohol. Employers can choose to run random post-hire drug checks so long as they have written authorization and consent from the individual to do so.

Depending on the nature of your business, running drug tests may be valuable. For example, if the employees in question need to interact with children or operate heavy machinery, running drug screens may help prevent liability issues down the road. It is up to you as the employer to decide whether they are a good investment for your company.

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Implementing Background Checks

What are the next steps?

Now that you understand the various checks that can be included in a background report, it's time to create your screening process.

Here are some questions to ask yourself as you proceed:

1. Who are the stakeholders during the interviewing and screening process? Depending on the size and function of your company, screening employees may require interviews with several individuals, including the CEO. Conversely, the responsibility often falls entirely upon one individual. Assess where your company lies on this spectrum to properly assign the tasks to the appropriate hiring managers.

2. What report options are right for my business? To ensure legal compliance around discrimination, we recommend you screen all individuals and employees equally. However, you may apply more thorough investigations on employees who interact more often with clients. Feel free to consult [GoodHire Legal Support](#) or your corporate lawyer to help determine the right background screening plan for your employees and job candidates.

3. What resources are available to my organization to help with background checks? It is important to allocate the right time and resources to develop a robust background

screening protocol for your company. Talk to your leadership team and other stakeholders to best outline a plan of action to grow a successful team for your organization. It might be in your company's best interest to hire a designated recruiter responsible for conducting all job functions around the hiring and screening process. Additionally, take the time to see whether a tool like GoodHire is right for your business.

Congrats, you're ready to run a report!

Now that you understand the differences amongst the various reports, you can now start conducting background checks on your current and future employees.

Be sure to follow FCRA guidelines, provide written disclosure to job candidates that you will be screening them and obtain their written authorization before conducting your research.

For more information, be sure to check out [GoodHire Resources](#).

Want to Learn More About GoodHire?

Be sure to check out the GoodHire website to learn how our product can help you make the best, legally-compliant hiring decisions.

[Run a Report](#) or [Show Me GoodHire](#)



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