

Don't Get Stung Like I Did: How to Protect Yourself Against Applicant Fraud

Parents often give good advice; we don't always heed it. My dad once told me, "It's okay to make a mistake. Just be sure you learn from it and don't make the same mistake twice." Early in my Human Resources career, I made a big one. And I learned not to do it again. That's what this article is all about. I'm going to share what I wish I had known then.

At the time, I was working for a very large, well-known restaurant company. I was studying for my MBA part-time and immediately after I graduated was offered a promotion. I accepted the role of Human Resources Director, with national responsibility. I was charged with building an exceptional team of capable professionals to support the company's aggressive development goals. One of the positions I needed to fill was the Director of Construction. After an extensive and thorough search, I had uncovered someone I thought was the ideal candidate. This gentleman had the education, experience and skills we sought. He interviewed very well with all staff and executives, including the President of the company. He even had credible telephone references that extolled his ability to complete substantial projects on time and under budget. On my recommendation, we hired him.

For the first six months he was a golden boy. Work was proceeding ahead of schedule and his projects were clearly under control. The President and the senior team were thrilled with his ability to jump in and "add value" so quickly. He was a very smooth talker, made friends easily and gained the trust of his key internal customers. Due to the nature of his work and the number of projects underway across the country, he needed to travel extensively. He began to spend more time in the field, away from the office. By month seven he spent most of his time on his own without supervision. The change in his behavior was gradual and deliberately managed so that no one noticed.

Less than a year later he had taken us for close to \$200,000 and significantly damaged our credibility with multiple vendors and other key stakeholders. He had even made job offers to others for positions that never existed. What hurt the most is that it could have easily been prevented.

I later learned that the person we had hired was a professional criminal. Federal authorities were hunting him for committing similar crimes at other firms. The fact that others had been similarly duped was small comfort. He was very good at his real job and conned us all. His criminal record was substantial, although under several different aliases. His resume was mostly fabricated; one of the schools he allegedly attended hadn't even been built by the year he supposedly graduated. His references had been paid and set up for us. Had I known to do a thorough background check, this would have all surfaced before we extended the original job offer. It would have taken less than a week, and cost us less than \$200, a far cry from the ultimate cost.

At the time, I thought that the theft perpetrated against us was unusual. I was wrong. According to the Association of Fraud Examiners in the 2001 National Fraud Survey and Report to the Nation:

"Fraud and abuse cost US Organizations more than \$400 billion dollars annually. Additionally, the average company loses \$9.00 per day per employee about 6% of its annual revenue to fraud and abuse committed by its own staff."

Some firms who perform background checks report fraudulent education claims in as many as 1 in 10 resumes reviewed. Some candidates actually claim degrees or credentials they have never earned, while others merely exaggerate the grades achieved. Over the past three weeks I have personally received over a dozen different email solicitations to purchase graduate degrees from non-accredited universities. These advertisements sell "The Advancement You Deserve" and "Get A Degree Today To Compete With Your Peers!". They claim to offer a degree based on an individual's life experience with "No Classes Or Exams Required!" They also offer to respond favorably to employers who perform education verifications. A PhD from Hamilton University in Toronto sounds impressive, except for the fact that there is no accredited post-secondary institution with that name in Canada.

Unfortunately, it is often the small business that gets hit the hardest. In many respects, small business is one of the easiest targets. The small business owner is less likely to have the resources, the expertise or the time to consider conducting thorough pre-employment background checks. However, small business may also be less able to weather the financial consequences, resulting from bad hiring decisions.

"20% of businesses fail because of internal theft and fraud"

. . . U.S. Chamber of Commerce

An effective pre-employment screening program can help you identify potential employee problems before it's too late. People tend to repeat patterns of behavior. Background checks can help you identify those patterns of behavior that you would prefer to avoid in your workplace. Determining honesty and integrity can be as simple as searching for significant discrepancies between what the candidate claims and what the background check uncovers. One firm that performs background checks and tracks its results has found consistently significant discrepancies in as many as 56% of the checks conducted over the last two years.

There are several types of pre-employment screening tools that you can use. Each of the following has its usefulness and provides different information:

- Criminal court record search
- Credit Report
- Education verification
- Employment verification
- Motor Vehicle record check
- Professional certification check
- Employment reference checks

Criminal Record Search:

- Typically a record search in each county where the candidate has lived dating back 7 years for felony and misdemeanor convictions
- Failure to disclose a prior material criminal conviction can impact your hire decision
- Can help to protect your employees and business from potential violence or theft

Credit Report:

- Review of records covering credit history, bankruptcy, etc., showing indications of fiduciary responsibility
- Provides insight into a candidate's suitability for roles requiring financial control
- Use of the information needs to be both fair, relevant and in compliance with statutory requirements

Education Verification:

- Checks should include school accreditation; degree, diploma or certificates received, dates of graduation and grades (if appropriate) – sometimes includes a request for an official transcript
- Confirms education for positions as required
- An opportunity to check for honesty by looking for variance from stated data

Employment Verification:

- Includes dates of employment, position title on leaving and salary information when available – some firms now use 3rd party verification services
- Confirms information provided by candidates
- Provides an opportunity to uncover gaps in employment hidden by the use of years rather than months

Motor Vehicle Record Check:

- Provides a record for each State requested showing driving history and status
- Shows whether license has been revoked; gives insight to behavior patterns stemming from drugs/alcohol; willingness to obey rules & laws, pay fines as incurred
- Source of identity verification

Professional Certification Check:

- Usually a record check with appropriate authority to confirm valid certification, dates of issue/expiration, complaints on file
- Confirmation of required designation/certification for the position
- False credentials/certifications can be purchased on the internet

Employment Reference Checks:

- Usually takes the form of a telephone conversation with previous supervisors or colleagues regarding position details to verify actual performance, position responsibilities, strengths and development opportunities
- Always ask if the former employer would re-hire the candidate and if not, why not
- Many employers are reluctant to offer candid feedback due to fears regarding liability – best approach is to speak with direct supervisors and ask if they could confirm information the candidate provided. (*e.g.* ask to confirm or disagree with information presented by the candidate on the resume)

You may not want to conduct all of the above checks for every position. Choose which tools are appropriate. It is most important that you have your processes in place early rather than scrambling at the last minute. If you don't have the resources in-house or are in doubt, ask a professional for assistance. It is also wise to line up a good employment attorney to review your processes and policies before you create a problem. In short, you will be much better off as an organization if you use the above tools to uncover a potential problem before you bring it inside.

The US Chamber of Commerce says "20% of businesses fail because of internal theft and fraud". Don't let you or your clients become one of those statistics. Learn from my mistake and save yourself the pain and the cost.

End of Article

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