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2010 Background Check Survey and Practices In Higher Education

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Executive Summary

Background checks can be a helpful tool to aid an employer in their evaluation of potential candidates (see *Appendix A, page 14*, for a Background Check Self-Evaluation). Most employers rely upon some level of background check screening to confirm the past employment experiences of the individuals in their workforce and to help measure applicants' intangible qualities (e.g., character). However, performing background checks can be a costly endeavor that, if done inconsistently, can increase an organization's exposure to risks (e.g., legal, compliance and regulatory). To obtain a better understanding of current background check practices in higher education, Baker Tilly:

- + Surveyed General Counsel and/or Human Resource (HR) representatives of five private Washington, DC, universities to understand their current background check practices and/or their future plans (see *Appendix B, page 15*)
- + Reviewed 29 additional university background check policies and procedures (See *Appendix C, page 17*)
- + Interviewed six employment screening providers to better understand non-higher education organization background check practices (see *Appendix D, page 18*)

The objectives of this report are to share a cohesive overview of current background check practices for staff level positions, raise awareness of these practices, and increase discussions in the higher education community. We did not perform an analysis of practices related to background checks of faculty, research, or student employees. Further, our survey is based upon published policies, research, as well as interviews and may not be all-inclusive of the practices at each organization.

High level survey results are detailed below:

Types of Positions and Verifications	<ul style="list-style-type: none"> + Background checks are performed most often on individuals with driving responsibilities and individuals applying to security, safety, and financially sensitive positions (e.g., accounting positions, executive level positions). + Organizations perform a variety of background checks, including credit checks, education verification, employment verification, driving record checks, and criminal background checks, based on position requirements.
Background Check Candidates	<ul style="list-style-type: none"> + A majority of the surveyed universities perform background checks on all final candidates/new hires who apply for pre-

Documented Policies and Procedures	determined positions. + The majority of the surveyed Washington, DC, universities do not have documented background check policies and procedures.
Departmental Responsibilities	+ The HR department is most often responsible for overseeing the background check process and for evaluating and retaining background check results.
Vendors and Contractors	+ Organizations typically do not require the performance of background checks on vendors or contractors, although this has been identified as a best practice for organizations that outsource labor related services (e.g., housekeeping, maintenance).
Disciplinary Actions	+ Organizations typically do not perform background checks on current employees in response to disciplinary actions (e.g., policy or procedure violations).

Benefits and Issues Associated with Background Checks

People are the cornerstone of an organization. Hiring and retaining the right employees is one of the most important keys to organizational success. Background checks are an effective way to mitigate risk by ensuring that an employer can make an informed decision when hiring a candidate. However, performing background checks can be a costly investment for employers in terms of both time, money, and risk exposure. Further, changes in the economic climate may require an evolution of the criteria for measuring and evaluating background check results.

The following associations, organizations, or publications consider performing background checks a best practice for certain positions:

- + Society of Human Resources Management
- + Privacy Rights Clearinghouse
- + Association of Certified Fraud Examiners
- + Turnaround Management Association
- + Chronicle of Higher Education
- + Diverse Issues in Higher Education
- + Human Resource Management Journal

While there is no conclusive authoritative literature to illustrate the cost impact and effectiveness of performing background checks, our survey highlighted the following:

- + Proforma Screening Solutions recently released a study in HR Management Magazine that identified and evaluated many of the costs associated with not performing background checks. After factoring in the risks and organization-wide accompanying costs (e.g., hiring costs, increased turnover costs, value of performance, and direct losses related to lawsuits, theft, violence, or other counter active behaviors) related to not performing background checks at a small to medium sized organization, **the study found that the cost to the organization of not performing background checks totaled about \$500,000, which highly outweighed the average annual \$18,000 cost of running a background check program** (See Appendix E, page 19).ⁱ
- + According to the Association of Certified Fraud Examiners' 2008 Report to the Nation on Occupational Fraud and Abuse, about **seven percent of U.S. revenues are lost annually to occupational fraud.**ⁱⁱ

- + According to Dawn Cappelli, a senior member of Carnegie Mellon University's Computer Emergency Response Team, a 2006 study found that **thirty percent of insiders who launch system attacks have criminal records.**ⁱⁱⁱ

Benefits and Issues Associated with Background Checks (Continued)

The following issues have prevented organizations from implementing organization-wide background check programs:

Predictive Ability	+ There is a lack of conclusive data to show that prior credit issues have resulted in future criminal activities.
Monetary Cost	+ The cost of background check packages ranges from \$10 - \$200 per candidate, depending on position and responsibilities.
Time and Resources	+ Conducting background checks, analyzing results, and developing and updating scoring matrices can require significant employee time.
Subjective Evaluations	+ Evaluation of background check results may be inconsistently applied, which can result in adverse hiring decisions. + Misinterpretation of the verification results can lead to an adverse hiring decision.
Outdated Criteria	+ Scoring criteria may not be updated for changes in the macro-economic climate, which can result in stricter or more lenient evaluation criteria than initially implemented. + Otherwise qualified candidates may not be hired due to the credit impact of a recessionary environment.
Compliance Risk	+ If the background check process is not performed or monitored effectively, individual state laws, regulations, or compliance requirements may not be met (e.g., bankruptcy law requirements).

Productivity Cost	+ The organization may not be able to hire and fill open positions if the evaluation criteria are too stringent.
Negative Local Reputation	+ The organization may not be able to hire many applicants from the local marketplace, which can result in a negative local reputation.

Definition of Security, Safety, and Financially Sensitive Positions

The majority of the universities surveyed identified job responsibilities that are considered security, safety, or financially sensitive for the purposes of deciding which positions require background checks. The definition of security, safety, and financially sensitive positions varied slightly among universities; however, most included the following criteria:

Security Sensitive	<ul style="list-style-type: none">+ Positions with access to secured or sensitive areas (e.g., data center, legal files, server room)+ Positions with “root” or “administrator” access level to enterprise systems+ Positions with “administrator” access level to institutional databases+ Positions with unsupervised physical access to critical infrastructure services or systems such as telephone switch equipment, networking routers and switches, and data centers+ Positions with access to or the ability to alter confidential or detailed personally identifiable information about students, faculty, staff, or alumni which might enable identity theft (e.g., social security numbers, credit card numbers)+ Positions that grant access to secured or sensitive areas+ Executive and senior level administrators
Safety Sensitive	<ul style="list-style-type: none">+ Positions with responsibility for providing student or child care+ Positions with direct access to, or responsibility for, pharmaceuticals, select agents, or controlled substances+ Positions with responsibility for the care or instruction of children+ Positions that require operating company vehicles and/or equipment+ Positions that have unrestricted access to residence hall rooms, common areas, or suites+ Positions that advise students on psychological or personal issues+ Executive and senior level administrators
Financially Sensitive	<ul style="list-style-type: none">+ Positions with cash or check handling responsibilities+ Positions that directly support an individual with financial responsibilities (e.g., Treasurer, Vice President, Comptroller)+ Positions that have access to confidential information and/or the capability to create, delete, or alter records in any of the University’s financial or payroll systems+ Positions responsible for planning, organizing, directing, controlling, or evaluating the activities of a major segment of the University+ Positions that process University or individual bank account or credit card information+ Positions that create journal entries or have access to update the general ledger+ Positions that have the authority to sign contracts on behalf of the University requiring the expenditure of funds+ Positions that have the ability to grant final approval of disbursements above a certain dollar threshold (e.g., \$500, \$2,500, \$5,000, \$10,000)+ Executive and senior level administrators

Survey Results

In order to gain an understanding of current background check practices throughout various organizations, Baker Tilly collected and analyzed data associated with the background check processes and procedures from multiple sources including five Washington, DC, area universities, 29 additional universities throughout the country, and six background check vendors.

The charts below illustrate the sources of our data gathering:

<p>Private Washington, DC, Area Universities</p>	<p>Survey of General Counsel and/or HR Representative from Five Private Washington, DC, Area Universities</p>	<p>+ All of the Washington, DC, area universities included in our interviews perform some level of background checks (e.g., criminal records checks, driving records checks, credit checks) for staff level candidates (See <i>Appendix B</i> for detailed survey results).</p>
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<p>29 Additional Universities</p>	<p>Review of 29 Additional University Background Check Policies and Procedures</p>	<p>+ All 29 of the universities in the group perform some level of background checks (criminal record checks, education verifications, employment verifications) for staff level candidates (See <i>Appendix C</i> for detailed results of policy review).</p> <p>+ In a 2007 survey of 87 universities by RiskAware, a firm specializing in background checks for college and university staff, 86.8 percent conducted criminal background checks on staff.⁴</p>
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<p>Six Non-Higher Education Organizations</p>	<p>Interviews with Six Background Check Vendors and Review of Recent Public and Private Organization Surveys and Research</p>	<p>+ Eighty-six percent of Human Resource professionals said that they always conduct “reference checks.”⁵ Reference checks include employment verification, credit checks, and driving record checks (See <i>Appendix D</i> for background check vendors interviewed).</p>
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The following pages present background check verification practices observed at five private Washington, DC, universities, 29 additional universities, and six non-higher education organizations. The number presented next to each survey result is representative of the percentage of respondents that follow each practice. In addition to presenting the results of our survey, the following pages also discuss the benefits and challenges associated with each background check practice. Each of the three aforementioned survey population results are customized for their individual practices; therefore, they are not 100 percent comparable.

Types of Positions and Background Checks

Survey Result: The majority of respondents perform background checks on new hires, promotion, and transfer candidates who apply to positions that meet defined criteria, such as security, safety, or financially sensitive responsibilities.

Observations

- + *Washington, DC, Area Universities:* All respondents indicated that they perform employment verifications on candidates who apply for driver and financially sensitive positions.
- + *29 Additional Universities:* Forty-two percent indicated that they perform employment verifications on safety, security, and financially sensitive positions.
- + *Non-Higher Education:* Eighty-six percent of respondents indicated that they perform employment verifications on executive and senior level management.

Benefits

- + Focus resources on those candidates who apply for positions that may present a greater risk to the organization.

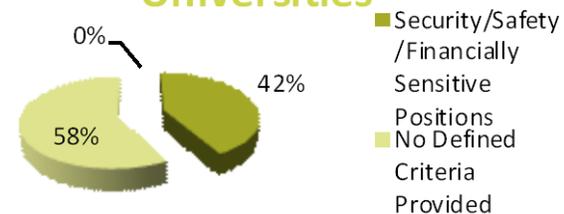
Challenges

- + Current employees may fail employment verifications when applying for positions, resulting in an inability to progress within the organization, despite a history of positive performance.
- + Defining and implementing a risk scoring process is a time and resource intensive process.

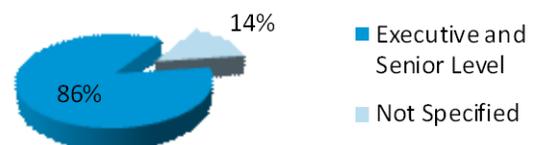
Washington, DC, Area Universities



29 Additional Universities



Non-Higher Education





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ⁱ HR Management Resources. (2008). The ROI of Background Screening. Retrieved July 14, 2009 from <http://www.hrmreport.com>.

ⁱⁱ Association of Certified Fraud Examiners. 2008 Report to the Nation on Occupational Fraud and Abuse. (2008). Retrieved July 14, 2009 from <http://www.acfe.com>.

ⁱⁱⁱ Gaudin, Sharon. (2007). The Case for Background Checks. Information Week, The Business Value of Technology. Retrieved January 15, 2010 from <http://www.insurancetech.com/showArticle.html?articleID=197001284>.

⁴ Risk Aware. (2009). Risk on US College Campuses. Retrieved July 9, 2009 from <http://riskaware.com>.

⁵ HR Management Resources. (2008). The ROI of Background Screening. Retrieved July 14, 2009 from <http://www.hrmreport.com>.