Professional Background Screening a Small Price to Pay
Brent Bowers

The candidate for chief financial officer at a fast-growing computer hardware company was forthright about his own money troubles.

He had resigned his previous position to care for his wife, who had been badly injured in a car crash, he told his interviewers, and after the insurance company refused to pay her medical bills, he had no choice but to declare bankruptcy.

He got the job. Six months later, when the company brought in a team of accountants for a surprise audit, he announced he had accepted a position elsewhere. By the time the accountants found out that $3 million was missing, he had vanished.

That was when the company hired Ken Springer, 54, the president of Corporate Resolutions, a business investigations concern, to find out how the fugitive executive had taken the money.

Mr. Springer, a former white-collar crime specialist at the Federal Bureau of Investigation, started Corporate Resolutions in 1991 in New York, and has expanded it to 25 employees and offices in London, Boston and Miami, with a fifth planned for Hong Kong in October.

Most of his clients are private equity lenders and hedge funds that ask him to conduct management background checks at companies they are looking at, and to look into suspicions of wrongdoing at companies they hold stakes in.

There is plenty of wrongdoing out there. Employee theft alone exceeds $400 billion annually, according to Automatic Data Processing, the nation's largest provider of payroll services. With the economy in the doldrums, the problem may well get worse.

After spending nearly three decades investigating larceny in the workplace, Mr. Springer has some suggestions, especially for smaller companies, which are particularly vulnerable.

Few face greater risks than start-ups. Mr. Springer cited a technology company that grew from 50 to 500 employees in nine months and recruited a seasoned project manager to handle its physical expansion. The manager hired an acquaintance as his sole contractor and in collusion with him signed off on fraudulent invoices. The company managed to get back $1 million of the $3 million they stole.

Mr. Springer's primary recommendation is to screen all potential employees, starting with their résumés. If you detect a single lie, he says, throw the résumé in the wastebasket.

Be wary, too, of claims that are difficult to verify, gaps in applicants' job histories and vague descriptions of what they did.

If, for example, the computer hardware company tried to contact the three references listed by the candidate for chief financial officer, it would have learned that one was dead, one did not exist and the third had a low opinion of the candidate. Everything the man said about his wife was true, though — except that her accident occurred three years after his bankruptcy filing, not shortly before it.

Once hired, the executive began his scheme almost immediately, buying a large number of computers, returning most of them and depositing the refund checks in an account that he had opened with the same name as the company's except that it had L.L.C. at the end instead of Inc.

Mr. Springer suggests that after authenticating the facts in a job candidate's résumé, a background check should be done.

Payroll companies and other concerns often offer basic screening for $100 to $400, Mr. Springer said. Automatic Data Processing, for example, offers the service on a Web page that flashes statistics like “One out of every 20 job applicants screened last year had a criminal record” and “Nearly 1,000 workers are murdered and 1.5 million are assaulted in the workplace each year.”

Mr. Springer also mentioned HireRight and National Applicant Screening. Searching the Web with the words “employment screening,” “pre-employment screening” and “employee background check” yields hundreds of leads.

If you are unable to verify important information, you may have to turn to detective operations like Mr. Springer’s, Huhn & Associates or the risk consulting giant Kroll Inc. (Because smaller companies often need to farm out work where they lack a physical presence, collaboration among them is common.)

His company’s fees are generally $2,000 to $5,000 a person for management background checks and $25,000 to $50,000 for corporate investigations. He expects strong growth for his company and the industry, largely because more companies will need investigative services in an increasingly global economy. He sees Asia and Latin America as the hottest markets.

Even the lowliest worker can create havoc. Mr. Springer recounted the case of a cashier at a home supply store who gave away $225,000 in merchandise over three years to a contractor in exchange for kickbacks. Corporate Resolutions caught them, and they agreed to repay the owner.

Another factor in the growth in his business, Mr. Springer said, is the sputtering economy. As layoffs increase, so does employee theft, he said. And as loan defaults rise, so does the need for banks to track down the assets of borrowers.

Here are more tips from Mr. Springer to preventing wrongdoing:

Require job applicants to sign an agreement that allows you to do background checks and drug tests on them at any time during their employment.

Make it clear that you plan to conduct such investigations. The troublemakers and other bad eggs will probably walk away.

Make sure current employees know that everything on the company computer is company property, and that you have the right — and intention — to monitor their use and their e-mail messages. Follow through on that surveillance.

Switch people’s responsibilities to prevent fraud. “One of the most common forms of employee theft is when the product is being loaded on a truck,” Mr. Springer said. “You’ve got to have cameras, you’ve got to keep changing people’s assignments.”

Do random checks, like following trucks carrying your merchandise. If the driver makes an unauthorized stop at a warehouse or home, he is probably about to unload some of it.

Look for red flags, for example, employees who never take a day off, a sign that they may be covering up a fraud.

Put somebody in charge of security, whether your own employee or an outside company’s.

Buy fidelity insurance to cover theft by employees and vendors, which on average represents 5 percent of a company’s revenue.

Never let the chief financial officer write checks or open mail.

Set up a whistle-blower hot line for employees to report illegal or unethical behavior. The Sarbanes-Oxley Act of 2002, aimed at cleaning up corporate accounting, requires this at public companies, but privately held firms ought to follow suit. (Corporate Resolutions, for instance, provides the service for $2,200 a year.) Now is a good time to take the step, Mr. Springer said, because as the economy has weakened, anonymous allegations of malfeasance are on the rise.

Act on anonymous tips. At a company in South Florida that Mr. Springer worked for, a whistle-blower accused the chief executive of stealing, but the board of directors ignored the warning because it was negotiating with a prospective buyer. The tipster went to a local newspaper, and the deal fell through.

Expect some allegations to be false. Mr. Springer once investigated the background of an executive who was the target of a sexual harassment complaint, but found no evidence of inappropriate behavior. Finally, he tracked down the accuser's college roommate. "Do you mean," the woman asked, "that she has filed another lawsuit?"

Disponível em: <http://www.nytimes.com>. Acesso em 27/5/2008.