

# Employee Background Checks Are A Must For Apartment Owners and Property Management Firms

1995 Workshop Handout by Glenn Hammer

## Why are Background Checks Needed?

Apartment Owners and Property Management Firms face an epidemic of potentially costly business problems caused by the dishonest and criminal behavior of a few employees. Problems take the form of employee theft and fraud, negligent hiring liability, application falsification, and workplace violence.

Hiring the following employees is of particular concern to apartment owners and property management firms.

- **Maintenance and Janitorial Workers:** Police report a continual problem with maintenance and janitorial workers who case apartment units for later burglary.
- **Employees with Passkeys:** Employees with access to passkeys open employers to a significant risk of Negligent Hiring Liability.
- **Office Staff:** Office workers who handle customer and vendor accounts are in a prime position to commit fraud.

## Are Employee Problems Common?

Yes! A recent review of the legal and business literature uncovered some disturbing information.

### Employee Theft and Fraud:

- 30% of all employees are **hard-core pilferers**
- 75% of Bay Area firms are victims of **employee fraud**
- Employee crime causes 30% of all **business failures**
- Employee theft and fraud account for 80% of crimes **against businesses**

### Negligent Hiring Liability:

- Is a relatively **new legal doctrine**
- Holds employers responsible both for what they *do* know and what they **should have known** about their employees
- Can hold employers responsible for employees' actions **off the job**
- The average award in Negligent Hiring cases involving personal safety is **over \$1 million**

Negligent Hiring Liability effectively *requires* that an apartment owner or management firm check a candidate's background. Courts have repeatedly held that employers have a duty to exercise reasonable care in hiring individuals who, because of the nature of their employment, may pose a threat to the public.

### Job Application Falsification:

- 20% to 25% of all applications include **at least one major fabrication**
- 30% of the **education claims are false** (25% of the MBAs claimed are bogus)
- 17% of all final candidates have **criminal records**
- 22% of all applications have **employment history errors**
- The cost of a \$30,000 employee who must be replaced in six months is **\$75,000+**.

### Workplace Violence:

- Violence is the **No. 1 on-the-job killer** of California Workers
- The number of **bosses killed** has doubled in ten years
- More than 50% of workplace violence is committed by employees against **fellow workers**
- Employers pay **\$250,000** or more per victim of serious workplace violence

### What can you do?

Apartment owners and property management firms should check the backgrounds of **all employees**, including temps, part-time workers, and contractors. Employers who "background" their employees significantly reduce their hiring risks, and--as a result--**improve their bottom line**. A background check, or "application verification", verifies a candidate's job application using independent sources such as criminal and civil court records, prior employers, educational institutions, and credit records.

The laws and courts generally recognize and support an employer's need to hire competent and **safe employees**. For example, the Fair Credit Reporting Act specifically identifies employment as a legitimate use of credit reports. Also, a new California law increases protection for employers who provide references on former or current employees.

### Professional Backgrounding Services

While it is possible to background candidates yourself, background checks can be tedious and time consuming, and few firms have the trained staff to quickly and legally obtain background reports. In addition, it is difficult to stay current with local, state, and national laws.

Professional Backgrounding Services are an excellent supplement to the background checks you do yourself. With Professional Backgrounding Services, background checks are:

- **Inexpensive.** The typical cost is \$30 to \$100 per final candidate.
- **Easy.** Simply fax your request, job application, and release to the backgrounding service. Employee Backgrounding Management software is available from some services.
- **Comprehensive.** Most backgrounding services offer a variety of reports and services, including: criminal record check, prior employer verification, education verification, credit check, social security number scan, civil record check, driving record, license verification, and drug screening.
- **Flexible.** Backgrounding services usually allow you to select the reports that meet your specific needs.
- **Quick.** Most reports are available in three days or less.