

**HIRING TOOLS THAT MINIMIZE THE IMPACT
OF WORKPLACE FRAUD IN EDUCATIONAL
INSTITUTIONS**

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White Papers



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INTRODUCTION

It is widely reported that the current economy has increased the prevalence and impact of employee theft and fraud throughout the entire economy. Unfortunately, from the standpoint of educators, the growth of these and other forms of employee counterproductivity has been particularly problematic in the field of education.

SPECIFIC EXAMPLES OF FRAUD IN EDUCATION

A search of the Internet quickly reveals that there are thousands of reported instances of employee theft that have recently occurred within all levels of our country's educational system. The following are recent reports that are representative of the thousands of detected occurrences.

- A May 9, 2009 report indicates that a psychology professor at Western Kentucky University has admitted to her involvement in issuing approximately \$27,000 of university checks to individuals not entitled to payment.
- An April 28, 2009 article reported that an employee of St. Thomas College was convicted of embezzling more than \$120,000 from this Minnesota-based university. The employee admitted to wire fraud and unauthorized access to a protected computer over the last 7 years of her 17 years of employment with the school.
- Recently, two secretaries at a school in New York City were accused of stealing \$200,000 from the school. In addition to money, one secretary was paid thousands of dollars in unearned overtime. The stolen funds were used to purchase things ranging from cigarettes and clothing to jewelry and computer equipment.
- According to an April 28, 2009 report, Coastal Bend College's former business manager pleaded guilty to embezzling \$127,000 from the college's general fund.
- Recently, five Georgia Tech employees were arrested on charges that they misused state issued credit cards. The employees had spent from \$600 to \$316,000 each.
- A recent report from Raleigh, NC indicates that a Wake County school bookkeeper was charged with embezzling over \$20,000 from field trips, athletic events and other school activities. As an aside, this school district is certainly not foreign to employee fraud issues insofar as in the past certain transportation employees submitted \$4 million in fake invoices.

WAYS TO ADDRESS THE ISSUE OF EMPLOYEE FRAUD

In light of the above findings, it is obvious that a prudent educational institution must address these general ethical issues when evaluating job applicants for employment. Some of the tools that are helpful to address these issues are reference checks, criminal background checks, interviews and written integrity testing. Following is a discussion of the advantages and disadvantages of each of these tools.



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WRITTEN INTEGRITY TESTING

Integrity tests have been used by employers for over forty years. These instruments have been developed to predict whether an applicant will engage in various forms of workplace counterproductivity (e.g., fraud, absenteeism, theft, not working during working hours). Research in the area of personnel psychology has consistently shown that these tests are extremely effective in addressing workplace counterproductivity. A representative quote from an extensive review of the research on written integrity tests states: “Results indicate that integrity test validities are substantial for predicting job performance and counterproductive behaviors on the job, such as theft, disciplinary problems, drug use and absenteeism.”

In addition to the strong validity evidence discussed above, integrity tests have been shown not to exhibit disparate impact. These tests have been administered to millions of job applicants over the last forty years and have not been a lightning rod for litigation (only about 35 challenges). Moreover, in the case of every challenge, the Equal Employment Opportunity Commission (“EEOC”) or the relevant state human rights agency has found in favor of the employer. Also from a legal perspective, integrity tests can be a useful form of defense to negligent hiring suits.

Finally, written integrity tests are relatively inexpensive compared to all of the hiring procedures discussed in this paper. The use of these tests is further facilitated by the fact that they can be easily and quickly administered either online or via a toll free number. As a result, high risk applicants can be screened from contention for a job before

wasting time and money on interviews, criminal background checks and references.

Institutions that are interested in utilizing a written integrity test need to exercise diligence in their selection of such an assessment. This stems from the fact that not all test publishers offer appropriately researched assessments. Institutions should look for a publisher with appropriate professionals (e.g., industrial psychologists, employment attorneys, measurement specialists) on staff, as well as documentation of the test’s validity. Additionally, an employer should look for a publisher who is a member of the Association of Test Publishers.

REFERENCE CHECKS

Reference checks are a very important component of any applicant screening process. They can be useful in documenting that the information provided by the applicant via resume and/or interview is truthful. Additionally, the reference check is imperative to help insulate an employer against negligent hiring liability.

Unfortunately, there are many downsides to conducting reference checks. First, they are time consuming and costly to conduct. Second, applicants’ previous employers often provide no substantive information due to the potential of being subject to defamation claims. Finally, if an employer utilizes a third party to conduct reference checks, then the employer has to ensure that it is complying with the Fair Credit Reporting Act (“FCRA”), along with its many notice requirements.



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CRIMINAL BACKGROUND CHECKS

Since past behavior is a good predictor of future behavior, criminal background checks are useful in helping determine whether a prospective employee will steal from an institution. If an applicant has a recent conviction for a theft-related crime, then it should be a legitimate and useful basis for denying employment. Also, conducting a criminal background check demonstrates that the employer is attempting to discharge its duty of care in hiring employees, thus, making such checks a useful defense in negligent hiring suits.

On the other hand, ADP's 2007 Annual Screening Index indicates that only 5 percent of criminal background checks reveal a conviction. And of these convictions, many are not theft-related crimes. Another issue with respect to criminal background checks stems from the fact that they exhibit a disparate impact on the basis of race. As a result thereof, the EEOC has indicated that it will highly scrutinize an employer's rejection of applicants on the basis of criminal convictions. This means that an institution needs to ensure that applicants must only be rejected on the basis of convictions that are job-related and consistent with business necessity.

Another limitation to criminal background checks stems from using them with younger job applicants. In the vast majority of cases no information regarding juvenile convictions will be provided, since juvenile records are typically sealed by the courts.

Finally, the vast majority of employers who utilize criminal background checks in the

employment process retain a third party to procure such information. Use of these third parties requires that the employer comply with the FCRA. Parenthetically, employers must be very circumspect in retaining these parties to help ensure that procured criminal background information is free of errors and omissions.

INTERVIEWS

Interviews are an integral part of the hiring processes and can be very useful when conducted by trained professionals using a structured format. While interviews can be useful to help identify falsehoods contained within an applicant's resume, they generally are very poor predictors of ethical behavior. Hence, an institution should focus on ensuring that its interviewers are well trained, unbiased and focused on uncovering resume misrepresentations.

CONCLUSION

In summary, educational institutions seem to be overwhelmed these days by various forms of workplace counterproductivity—especially theft and fraud. However, these institutions can effectively combat these problems in the employment process through the use of various screening tools. Certainly an employer's goals and jobs will dictate whether all or just some of these tools are used in the hiring process. However, given the effectiveness and utility of written integrity tests, prudent institutions should strongly consider their implementation.

If you have any questions or would like further information regarding this topic, please contact Wonderlic's General Counsel (Dr. David W, Arnold).