



## Background Checks On Employees

One of the most valuable assets of a credit union is its employees. Credit union employees serve as personal representatives of the credit union, usually have first contact with members and potential members, and conduct business on behalf of the credit union. Because of far reaching implications, extreme care should be exercised in the selection and retention of credit union employees.

*NCUA Rules and Regulation, Part 748, Appendix A* establishes provisions which a credit union must consider in its Security Program. Specifically, in order to control and manage risk, the NCUA Regulations require that a credit union assess whether the following security measures specifically related to employees are appropriate and if so, establish:

***“Dual controls procedures, segregation of duties, and employee background checks for employees with responsibilities for or access to member information.”***

Therefore, a thorough evaluation process is critical in the selection of individuals who will be employed by the credit union. Although resources may be limited in conducting all of the following recommendations, the credit union is strongly urged to consider any or all of the following suggestions while considering prospective employees.

### **Bonding**

The determination of whether potential employees are bondable is important and a good proactive tool against fraud. This is very important for sensitive areas of the credit union and could cover different areas from the tellers in the cash area to the employees who purchases investments for the credit union. The credit union should be aware the search and bondability of potential employees is only as good as the database of the organization. For example, the bondability of tellers may not cover all financial institutions, just credit unions, and only if a claim was filed.

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### **Credit Reports**

Credit Bureau Reports provide a wealth of information on the potential employee and should be used in part to confirm and verify the information that the potential employee has provided to the credit union. Honesty and full disclosure is important in any working relationship and all parties should have a comfort level with each other. It is not what the potential employee has told you in many instances that is important; it is what the employee has not told you which needs to be considered, and the credit report will give Management a good idea of the candidate's financial responsibilities.

### **Criminal Background Checks**

Criminal background checks can provide information on convictions of criminal offenses. However, the information is only as good as the database and may only cover a particular area or State. This is why it is important to obtain employment and residential history during the application process on the potential employee to ensure the appropriate databases are searched.

### **Driving History**

Management should identify which employees will be operating the credit union's vehicle or employees who will be operating a vehicle while on credit union business. These employees could create a liability for the credit union that could result in expensive legal fees, a judgment, and even death to others. Depending on the areas or State, information on a candidate's driving history could reveal traffic violations, driving-related offenses, license suspensions, etc. In addition, the potential employee should be asked for any and all information related to

prior traffic violations as part of the application process.

### **Education Records**

Education records, degrees, or certificates granted should be verified back to the application of the candidate, when applicable. Independent verification should be made between the credit union and the institution. Transcripts received directly from the candidate could be fictitious and/or altered. Therefore, independent copies must be obtained from the institution in order to have a comfort level with the information provided.

### **Prior Employment References**

One of the most important areas of any background check is verifying the references of the potential employee. Contacting references will provide the credit union with not only the opportunity to confirm and verify the information that the potential employee has provided to the credit union, but possibly also to ask questions and clarify any issues that may develop during the interview process.

Our firm takes this process one step further by informing all potential candidates that we may ask that their current employer to provide us with the candidate's last two written evaluations. In addition, we have the potential candidate sign a release which states:

***“I authorize previous employers and other references to provide background information about me, and I waive any claims against them for doing so.”***

### **Professional Licensing Boards And Agencies**

Information from Professional Licensing Boards and Agencies provides information on the existence and current status of an individual's credentials.

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Important information as to current status and disciplinary actions taken against the licensee are usually revealed in this type of search. The verification is very important especially when the potential candidate's professional designation could be used in the business of the credit union. For example, CPAs, Attorneys, Appraisers, Business Lending Experts, etc. The verification of this information could be especially critical when these individuals deal with the members who may rely on these individuals for any type of information or guidance.

### **Internet Search**

With the availability of the Internet, credit unions should consider conducting several searches of the potential employee on the Internet. In addition, with the popular website,

"My Space," the Credit Union may want to search for the potential employee's website to see what the potential employee says about himself/herself and the content of that website.

### **Other Background Checks**

It should be noted that there are numerous other areas which may help in the evaluation of potential employees. These other areas, include but are not limited to, military record searches, civil judgments; drug testing, bibliographies, and directories.

Credit union employees owe a fiduciary duty to the credit union to act in good faith in the performance of their duties. Most employees take their fiduciary duty seriously and perform their duties in accordance with the policies and procedures of the credit union. However, not all employees

share this loyalty to the credit union. While the above procedures cannot guarantee that there will not be problems in the future, the items above are **proactive measures** which could aid the credit union in its search of qualified employees. Credit unions may want to consider professional companies which provide a combination of the above services to credit unions for a fee. In addition, several of these services will add to or modify their search for a fee; the credit union should determine where the risks are and develop a plan in the evaluation of potential employees. ♦

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