



HR Resources | Best Practices Series

# FINANCE AND ACCOUNTING INDUSTRY



[www.crimcheck.net](http://www.crimcheck.net)

## Finance and Accounting Industry

For over 20 years, Crimcheck has helped organizations in the Financial and Accounting Industry to screen their employees and comply with state and federal laws.

**Background checks for the Accounting and Financial Industry are often more in depth than other businesses.** In addition to a criminal and sexual offender record search, Crimcheck recommends screening of OFAC and NASD/SEC lists, and verification of professional certifications and licenses such as those maintained by the FINRA, NFA and the NASAA.

**Accounting and Finance firms often are in need of corporate due diligence when considering mergers and acquisitions, audit, and client due diligence.** Crimcheck provides corporate due diligence services to some of the largest firms in the U.S.

**Section 19 of the Federal Deposit Insurance Act prohibits any person who has been convicted of any criminal offense involving dishonesty or a breach of trust or money laundering, or has agreed to enter into a pretrial diversion or similar program in connections with a prosecution, from becoming or continuing as an institution-affiliated party, owning or controlling,... or otherwise participating in the conduct of the affairs of an insured institution without prior written consent of the FDIC.**

**Crimcheck recommends a screening package based on the job description to be filled, with services to include all or some of the following.** We can help you create package levels based on your position requirements.

## **Recommended Services to include in your package:**

- Social Security Trace
- Federal and Local Criminal Records
- Education Verification
- Employment Verification
- Professional License Verification
- Federal Criminal and Bankruptcy
- Civil Litigation
- Judgments and Liens
- OFAC and Multi-Agency Global Sanctions Check
- FINRA Regulatory Actions and Financial and Securities
- Searches
- Global Sanctions Check
- Credit Report

**The FDIC provides guidance for Developing an Effective Pre-Employment Background Screening Process [see our downloadable documents section for full copy of this guidance]**

**T**he Federal Deposit Insurance Corporation (FDIC) provides guidance to institutions on developing an effective preemployment background screening process. This process can be an effective risk-management tool by providing management with a degree of certainty that the information provided by the applicant is true and correct, and that the potential employee does not have a criminal record. Used effectively, the preemployment background screening process may reduce turnover by verifying that the potential employee has the requisite skills, certification, license or degree for the position; deter theft and embezzlement; and prevent litigation over hiring practices. Institutions should verify that contractors are subject to screening procedures similar to those used by the financial institution.

**T**here are costs associated with developing and implementing an effective screening process. However, absent an effective screening process, a bank may incur significant expenses from recruiting, hiring and training unqualified individuals based upon their skill sets or backgrounds. These individuals may have to be replaced due to an inability to perform assigned duties or for other reasons.

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conduct of the affairs of an insured institution may be subject to Section 193. Therefore, a pre-employment background screening process should be established by all financial institutions that, at a minimum, uncovers information regarding a job applicant's convictions and program entries to ensure that only appropriate persons are employed, or that an application for FDIC consent is sought, if applicable.

**M**anagement should develop a risk-focused approach to determining when pre-employment background screening is considered appropriate or when the level of screening should be increased, based upon the position and responsibilities associated with a particular position. The sensitivity of the position or the access level of an individual staff member may warrant additional background screening, which should include verification of references, experience, education and professional qualifications. Furthermore, management should verify the applicant's identity. An on-going approach to screening should be considered for specific positions, as circumstances change, or for a comprehensive review of departmental staff over a period of time. Management should also have a policy that addresses appropriate actions when a pre-employment or subsequent screening detects information contrary to what the applicant or employee provided.

### **Other Background Screening:**

**W**hether a third-party service provider is contracted to conduct pre-employment background screening, or the screening is conducted in-house, the applicant's name should be compared against each federal banking agency's listing of individuals who are

or were assessed civil monetary penalties (CMPs) or have been permanently removed and/or prohibited from banking.

## Conclusion:

The pre-employment background screening process can assist bank management in the hiring of qualified applicants, while simultaneously reducing turnover, deterring fraud, and avoiding litigation. However, to be effective, bank management should establish in writing criteria for when pre-employment background screening should be used and for circumstances or positions that may warrant increased screening procedures based upon perceived risks. While the pre-employment background screening process is not infallible, it can provide greater confidence that applicants' representations are accurate. [Excerpted from FDIC]

## Stats:

- Accounting fraud and other financial cases made up 25% of civil enforcement actions filed by the Securities and Exchange Commission between 2003 and 2005.
- In 2012 the SEC filed over 730 enforcement actions which cost employers over \$3 billion dollars in penalties - an 11% increase from 2011.
- Asset Misappropriation is the most common type of employment fraud costing approximately \$150,000 per instance.
- Bribery and Corruption is another type of employment fraud and costs companies an average of \$538,000 per scheme.
- Financial statement fraud is another type of employment fraud which averages a cost of \$2 million.

## What is Accounting Fraud?

**A**ccounting fraud is the intentional misrepresentation or alteration of financial records for a profitable gain.

## Other Related Legislation

**T**he Sarbanes-Oxley Act of 2002 – A federal law which set standards for all public companies in the U.S. regarding the confirmation of financial information. It also set forth stricter penalties for any fraudulent activities.