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Benefits to Pre-screening Applicants

- Discourages applicants with something to hide.
- Uncovers falsified or "puffed" credentials.
- Eliminates uncertainties in the hiring process.
- Demonstrates due diligence.
- Encourages applicants to be honest and truthful.
- Saves money & time spent on recruiting, hiring and training.
- Can help protect against negligent hiring lawsuits.
- Reduces chance of injury to employees.
- Reduces employee theft.
- Reduces turnover.
- Reduces workplace violence.
- Reduces insurance premiums.
- Increases productivity and employee morale.

Pre-Screening Is Cost-Effective

With the cost of hiring a new employee averaging over three thousand dollars (\$3,000), less than 3% can be attributed to the amount of a standard background check. A bad hire can mean an estimated loss to companies of approximately \$40,000 in severance pay, training, wasted human resources time, possible search firm fees, loss of productivity, and impact on employee morale. The expense of a bad hire far outweighs the cost of a background check.

As with insurance, each employer must decide the level of protection they seek. Usually, the average cost of a background check is equivalent to the cost of a new employee's first day of work.

Substance Abuse Statistics Every Employer Should Know

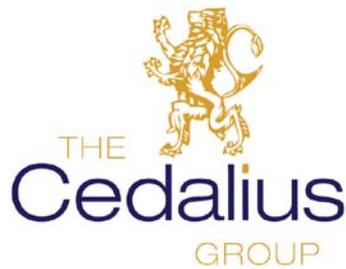
Consider the following statistics on workplace drug abuse and the positive effects substance abuse testing could have upon your bottom line:

- 70% of substance abusers 18 and over are employed.
- Substance abusers' medical expenses run 4 times higher than those of non-abusers.
- 25% of substance abusers steal from their employers.
- Substance abusers are 4 times more likely to be in a workplace accident and are 5 times more likely to file for Worker's Compensation.
- Medical claims in the United States due to drug and alcohol abuse amount to more than \$110 billion annually.
- Nearly 10 million Americans use marijuana regularly.
- 10% of Americans 18 and over are alcoholics or severely abuse alcohol.
- More than 20 million Americans use cocaine.
- Substance abusers are 3 times more likely to be late to work and 10 times more likely to miss work altogether.
- It is estimated that losses in productivity due to substance abuse total more than \$70 billion annually.
- The Navy realizes an annual ten-fold return on its drug testing investment.

Sources: The American Council for Drug Education, National Institute for Drug Abuse, National Council on Alcoholism and Drug Dependence, and Harvard School of Public Health.

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WORKPLACE VIOLENCE

There are 6 million threats of violence and 2 million workplace assaults each year. 13 people die due to workplace violence every week.

FALSIFIED EMPLOYMENT APPLICATIONS & RESUMES

Applicants tend to stretch the truth. Statistics reveal that near 40% of applications are falsified!

EMPLOYEE THEFT

33% of employees admit to stealing a product or money from jobs in the last three years. The U.S. Chamber of Commerce estimates dishonesty by employees costs 1%-2% of gross sales. It is estimated that 30% of business failures are directly related to employee theft.

EMPLOYEE TURNOVER

The cost of hiring, training, and then terminating one employee can be very expensive. According to William M. Mercer, Inc., turnover costs a minimum of \$10,000; 20% of respondents indicated turnover costs exceed \$20,000.

NEGLIGENT HIRING LIABILITY

In 1999, Trusted Health was ordered to pay \$26.5 million dollars to the family of a murdered patient. Courts throughout the U.S. declared "prior to the time the employee is actually hired, the employer ... should have known of the employee's unfitness" and is liable if they did not perform an adequate background investigation.

Negligent hiring litigation is a growing problem! Employers lose 72% of all negligent hiring suits and the average jury plaintiff award in employment law cases continues to be in excess of \$1,000,000! Damages are awarded against employers because of the employer's negligence and failure to perform a reasonable search into the employee's background prior to hiring. Courts have ruled that "an employer has a general duty to check criminal records for employees who will have interface with the public, or who could have a foreseeable opportunity to commit a violent crime against someone in the course of their employment."

Today's litigious society has created an environment that requires management to be armed with numerous tools. Many employers currently spend little time verifying the accuracy of employment applications; and, although they would like to adequately screen applicants, the cost to do so has, in the past, been financially prohibitive.

Applicant Statistics

- 8.9% have a criminal record
- 38.6% have motor vehicle violations including DUI's and possession of drugs
- 35.7% of credit reports have negative information
- 6.5% have filed a worker's compensation claim
- 4.1% test positively for drug use

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Why Conduct Pre-employment Screening?

More Current Statistics from various sources:

- The Society for Human Resource Management states 45% of all resumes contain one major fabrication.
- The Wall Street Journal said that 34% of all application forms contain outright lies about experience, education and the ability to perform essential functions of the job.
- College and University registrars report that at least 60% of the verifications they receive contain falsified information.
- The Small Business Administration said that employees at all levels falsify their backgrounds.
- The American Management Association and the U.S. Chamber of Commerce said that 30% of all small business failure is caused by employee theft.
- According to the Bureau of National Affairs, from \$15-25 billion is lost each year due to employee theft.

Today, employers are increasingly turning to pre-employment background screening to minimize legal and financial risk to their companies. No longer can a company take an applicant at face value. Background checks are no longer a luxury, backgrounds checks are a necessity.

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The U. S. Department of Commerce statistics indicate 30% of all business failures are the result of poor hiring practices. Embezzlement costs commerce \$4 billion a year and other employee crime, both blue and white collar, costs business another \$45-50 billion annually.

Arthur Young & Associates report that over 43% of shrinkage in retailing is due to internal theft, not mistakes or shoplifting. According to the FBI, 86% of bank losses are internal, not due to burglary or robbery. The Surety Association of America states that insurance bond costs for employee honesty rose to \$344 million in 1984. Other statistics show that most people who steal, cheat, defraud, embezzle, or leak proprietary data are never discovered by their former employers.

DRUGS & ALCOHOL

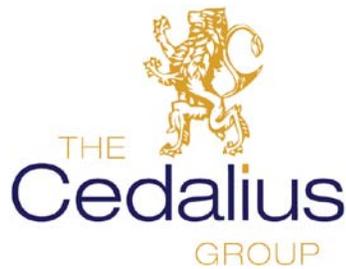
The Research Triangle Institute estimates that on-the job drug and alcohol abuse costs the U.S. economy \$60 billion a year.

Drug Abusers Are:

- 3 times more likely to be involved in an accident.
- Likely to take more, and longer absences from work.
- 5 times more likely to file for Workers Compensation.
- Less productive, usually functioning at only 65% of their work potential.
- **Most employees who abuse drugs or alcohol on the job or at home are never detected.** The only employees who are usually identified abusing drugs or alcohol at work are the extreme cases, who have finally slipped up so badly they've caused an event that draws dramatic attention.
- It is believed that a majority of job applicants misrepresent their previous work history, salary or education. Many applicants list jobs they never had or omit the ones an employer really wants to know about. In excess of 1 in 20 falsify name, Social Security number, and/or driver's license in order to hide a conviction of sorts.
- Furthermore, the people with the most serious problems are usually attracted to job positions most sensitive to their activity. For example, shoplifters are attracted to sales, while violently prone individuals to security and so on. When applying for a position, these people assume that most companies are reluctant to perform pre-employment background screening. Too often, they are right, and this leads to costly litigation.

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WHY SHOULD EMPLOYERS CONDUCT PRE-EMPLOYMENT SCREENING?

As is evidenced by the following statistics, the loss and liability risks to businesses that fail to conduct background checks has never been greater:

- In a sample study of 300,000 background checks conducted by a major screening firm, the company found: 5% of applicants had criminal records; 36% had motor vehicle violations; prior employment was unverifiable for 18%; and education could not be verified for 11%.
- 30% of business failures are due to poor hiring practices (Department of Commerce).
- 2.2 million workers are physically attacked on the job each year; 6.3 million are threatened with violence (National Institute for Occupational Health & Safety).
- Replacing an employee costs an average of one and a half times the annual salary of the position (Rutgers University).

Additional statistics are detailed below - they represent yet another major U.S. screening firm.

White Collar Crime/Fraud Statistics

The following statistics about fraud and white-collar crime are from the Association of Certified Fraud Examiners' Report to the Nation.

- Fraud and abuse costs U.S. organizations more than \$400 billion annually.
- The average organization loses more than \$9 per day per employee to fraud and abuse.
- The average organization loses about 6% of its total annual revenue to fraud and abuse committed by its own employees.
- The median loss caused by males is about \$185,000; by females, about \$48,000.
- The typical perpetrator is a college-educated white male.
- Men commit nearly 75% of the offenses.
- Median losses caused by men are nearly four times those caused by women.
- Losses caused by managers are four times those caused by employees.
- Median losses caused by executives are 16 times those of their employees.
- The most costly abuses occur in organizations with less than 100 employees.
- The education industry experiences the lowest median losses.
- The highest media losses occur in the real estate financing sector.
- Occupational fraud and abuses fall into three main categories: asset misappropriation, fraudulent statements, and bribery and corruption.

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