

Background Checks for Contractors or Vendors

If your business uses contractors, subcontractors, vendors, or temps you may be wondering how to handle vetting and screening. Contractors and vendors are not employees and your relationships with them are usually not permanent. Are background checks necessary? Can you get away without the usual screening steps? This guide is designed to help you navigate this sometimes-confusing business relationship.

What is a contractor or vendor?

Before we get to any discussion about background checks and vetting, it's important to understand exactly what a contractor is. The definition of a contractor or vendor can be quite broad.

Typically, a contractor is an entity that operates independently of your organization that you enter into a business agreement with to receive goods (materials), services (labor), or sometimes both. A contractor or vendor can be either a company or an individual. If your company is a manufacturer and you have suppliers that provide certain materials you need to create your product, those suppliers qualify as vendors. If your company is a publisher and you hire a writer to write the manuscript for a book on a work-for-hire basis, that person is a contractor.

The other thing to remember with contractor or vendor relationships is the nature of the contract. Some contractors are people you will contract with directly, such as a work-for-hire writer. In other cases, you might hire a contractor through a third-party company such as a temping agency. The variance in these business relationships proves confusing for many companies when it comes time to conduct background checks. We will discuss this dilemma in greater depth later in this guide.

Another factor at play with contractor relationships is they are usually temporary. Certainly, there are long-term contract agreements: for example, you might use the same supplier for many years or repeatedly hire the same graphic designers for projects. Quite frequently, though, contractor relationships don't have the permanence of a full-time or even part-time position. You might sign a deal with a contractor or vendor for a pre-set length of time (such as a six-month period) or for help with a specific job or project.

Now you know.

Other contract relationships might be even more sporadic, such as freelance arrangements. Say you hire a freelance web designer to build your company's website. That arrangement is naturally short-term, with the goal being no longer requiring that person's services once the site is done. This point bleeds into the other major element that makes a contractor a contractor: their employment status.

It doesn't make sense to hire a web designer as a full-time employee if you only anticipate requiring their expertise for one project, significant as the project might be. Full-time employees often demand consistent salaries, benefits packages, and extensive training or onboarding. By going the contractor route—where contractors are either considered self-employed or employed by the company through which you have a contract agreement—employers can save money and time.

Why some companies don't conduct contractor or vendor background checks

Historically, employers have been most likely to conduct background checks on full-time employees, slightly less likely to screen part-time workers, and even less likely to run background checks on contractors or vendors. There are several arguments businesses use to justify skipping the vetting process for contractors. Some of the most common reasons include:

"I am hiring a contractor through a third-party company. Surely that company already screened the contractor."

We mentioned earlier that contractors hired through third-party companies, such as temp agencies, tend to cause confusion for employers when it comes to the background check phase. The argument is that these contractors are employed by the third-party company. As such, the background check responsibility should fall to the third-party company. However, not all third-party agencies that contract their workers out to other companies have background check policies. The ones that do screen may not have screenings that are thorough enough to find red flags with any level of reliability.

To ensure control and overall due diligence, businesses are always encouraged to conduct their own contractor screenings—even if they are hiring through a third-party agency that already did some form of vetting.

"This arrangement is temporary, so background checks are not worth the investment."

For full-time employees expected to stick around for five to ten years, there is an appreciable return-on-investment involved in vetting each new hire. For contractors who will only be affiliated with a business for a few weeks or a few months, that ROI is less evident. Some companies decide to skip the contractor background check based on saving money.

"I need to get my contractors working ASAP. I don't have time for a full background check process."

Background checks typically take a few days to come back. An employer in a rush to get a contractor started on a project might not want to wait that long. Skipping the background check can mean quicker implementation and faster project completion.

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Why background checks are advised for contractors or vendors

Some of the arguments against contractor background checks do make sense in the moment—but they fall apart under scrutiny.

For instance, if you are a leader in a local school district and are signing a contract with a third-party busing agency, it is a reasonable expectation that company will have thoroughly vetted its drivers. However, you also can't afford to make that assumption and leave such an important step entirely in the hands of another entity—not given the responsibility those bus drivers will have for the safety and wellbeing of your students.

This scenario illustrates one of the many reasons why employers should run a background check on any contractor, vendor, freelancer, or temp they hire. These reasons include:

Contractors are still a face of your brand

While you might see a sharp delineation between your full-time staff and your contractor staff, the rest of the world won't draw the same distinction. In the above scenario, even if the bus driver is not technically a school district employee, he is still affiliated with the district in such a way that he represents its values. Such is the case with virtually any contractor—and the risks of misrepresentation are the same.

Contractors still have contact with your customers, your employees, and the public

Contractors don't exist in a vacuum. They work alongside your full-time workers, serve your customers, and interact with the public while completing projects for your business. A contractor who is unsafe or untrustworthy can still pose a risk to these people.

The actions of your contracts can still lead to negligent hiring lawsuits, liability risks, and PR nightmares

Speaking of unsafe or untrustworthy, let's say one of your contract workers assaults a customer or client and that person files a lawsuit. Even though your business is not technically the "employer" in this situation, you could still be held liable for your contractor's actions. This point is especially true if you failed to conduct a background check of the contractor, in which case you could be sued for negligent hiring.

Let's say the bus driver mentioned above had two prior convictions for drunk driving, but no one knew about them because there wasn't a background check. If that bus driver were to drink on the job and get in an accident resulting in the injuries or deaths of kids, the school district would be at risk for legal liability regardless of how it classified its business relationship with the bus driver.

Contractors still have access to your property (and potentially your funds or accounts)

Just because someone is a contractor instead of an employee doesn't mean they are locked out of your business. On the contrary, many contractors have access to company property—from sensitive files and trade secrets to online systems all the way to company vehicles. Many contractors also have keys to business premises just like full-time employees do. In certain situations, a contractor or temp might even be given access to or control of a company's funds or accounts.

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As with any employee, there are risks for theft, property damage, and embezzlement. Background checks can help curb these risks significantly.

The role you need the contractor to play may legally demand a certain professional license or educational background

Contractors are not interns, and they are not necessarily entry-level workers. Many contractors are hired to provide specialized services with niche skillsets. As such, a background check is necessary not just to look for criminal history red flags, but also to verify qualifications.

Maybe the contractor you hire needs to have a certain type of educational background or professional license. Some employers set these requirements themselves, while others are required to follow legal guidelines. For instance, all school bus drivers need to have commercial drivers licenses. A background check for that kind of contractor, therefore, would include a verification of the driver's CDL.

You want to know if the vendor or contractor has a history of sketchy business practices

When you hire a contractor or vendor, you are trusting that person or entity to serve a crucial business application for your company. It might be supplying materials, providing your company with warehousing and other logistical services, or completing a construction project. In any case, you want to know if the contractor has a history of less-than-savory business practices. Civil background checks can be useful here, as they might turn up instances where the contractor was taken to court for something like failing to perform services as outlined in the contract.

The list of reasons goes on and on, but the bottom line is simple: background checks for contractors and vendors matter. What background checks should you be using to vet your contractors before you hire them?

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Which background checks to run on contractors or vendors

At this point, we have established that running background checks on all contractors and vendors is a best practice. As with any type of employment-related background check, which checks to choose will vary depending on the responsibilities of the role at hand. For instance, in the bus driver scenario, you would want to include a driving record check as part of your contractor screening process. If contractors won't be driving a vehicle as part of their contract for your business, a driving history check is superfluous. You will need to assess each contractor role to determine which background checks are best-suited. A well-rounded contractor or vendor background check will typically include some version of the following:

1. Multi-Jurisdictional Database Checks

A multi-jurisdictional database check is an effective way to broaden any background check process. At backgroundchecks.com, employers will often use our US OneSEARCH database as the first step of their screening process or as a means of looking beyond county and state boundaries. In addition to providing wide-reaching criminal history information (the US OneSEARCH database includes more than 550 million criminal records), this check incorporates sex offender registry information from all 50 states and data from national and international terrorist watch lists.

2. Criminal History Searches

A multi-jurisdictional search may turn up a contractor's criminal history. However, it is important to note that there is no truly universal or all-inclusive criminal history database. As such, there is a benefit to conducting county, state, and federal criminal history checks even if you have already ordered a multi-jurisdictional search for a prospective contractor. Since most criminal records are filed at the county level, those searches typically offer the most granular findings with the narrowest geographical scope.

Pairing county checks with Social Security Number-based address history searches makes it possible to check county records wherever your contractor or vendor has lived. This strategy typically yields the best results, with state and federal checks broadening the scope further as necessary.

3. Additional Checks

As mentioned previously, each contractor role may require additional checks depending on the standards, qualifications, and legal requirements the person you hire will need to meet. Checks you might consider conducting include:

- Verification checks, such as checks to verify education, employment history, professional licenses or certifications, and references.
- Credit history checks, especially valuable in situations where the contractor will have access to company finances or accounts. Note: there are laws in some areas that bar employers from conducting credit checks on candidates.

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- Motor vehicle record checks, for roles that will involve driving a vehicle.
- Drug testing, important for preventing workplace accidents and injuries, maximizing productivity, and ensuring a drug-free workplace.
- Civil court checks, useful for finding out about dirty business dealings from the contractor or vendor's past that may have led to litigation.

About the backgroundchecks.com VendorSAFE service

At backgroundchecks.com, we offer a background check service that is specifically intended for screening contractors and vendors. With this service, we can tailor a custom background screening process that makes sense for your business and the contractors you are hiring. We even host a customized landing page for each client, providing details about your screening process for any individuals or organizations that will be going through a contractor or vendor background check campaign. We can launch this program for you free of charge and set things up so the contractor or vendor pays for the screening out of pocket.

To protect you from any risk or potential legal violation, we have built the VendorSAFE platform to be completely compliant with all relevant legislation. For instance, we have ensured that our program is 100 percent compliant with the Fair Credit Reporting Act.

The FCRA is a piece of legislation that all employers must follow to the letter that requires, among other things, that employers furnish each candidate with a background check disclosure that is separate from all other application materials. It also requires employers to notify a candidate in writing if they are being disqualified based on background check findings, provide that candidate with a copy of their background check, and give the candidate chance to respond to the background check findings.

If you are contracting individuals to work for your business, your FCRA obligations are virtually the same as they would be for filling a full-time or part-time position. If you are contracting individuals who work for a third-party agency, FCRA compliance can get confusing. If you require the third-party vendor or contractor to conduct background checks on their employees before sending them your way, you must still comply with the FCRA. VendorSAFE builds compliance into its DNA to ensure businesses won't get in trouble even in this potentially confusing territory. Learn more about VendorSAFE at backgroundchecks.com/solutions/contractorandvendortscreening

Conclusion

While some employers assume contractors and vendors don't need background checks in the same way employees do, this belief can ultimately prove to be dangerous. To protect your business from liability, workplace conflicts, unqualified contractors, and other issues, understand that vendor background checks do matter.

If you are looking to build a contingent workforce and need to set up a contractor background check process, make sure you are using the best background check provider to set everything up for you.

Now you know.