

Credential Fraud

Lack of Credential Verification Exposes a Critical Security Gap in the Credentialing Process

A white paper prepared by Integral7, Inc.

Integral7 is the market leader in on-demand credential management services. The Integral7 Credential Bureau supports comprehensive solutions to organizations administering credentials, individuals holding or pursuing credentials, and employers seeking to hire those individuals. Whatever the task - from managing programs to tracking candidate progress to verifying credentials from employment - the Integral7 solutions deliver timely results, increased efficiency and reduced costs through automation and 24x7 self-sufficiency.

Founded in 2001, Integral7 combines the expertise of leaders from the certification and data management industries. Together, they have forged a company committed to innovation, reliability and customer service.

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Executive Summary

Credential fraud is a significant problem that threatens to compromise the integrity and credibility of the credential industry and erode market demand for many credentials. The lack of credential verification exposes a critical security gap in the credentialing process.

Research suggests that 50% to 80% of all resumes contain misleading or outright false information such as academic degrees or professional credentials. It is alarming that many of those making fraudulent claims are high-ranking corporate officers in addition to the entry- and mid-level staffers just trying to get ahead in today's highly charged competitive environment. All industries are negatively affected by credential fraud, including healthcare, finance, information technology and manufacturing.

Credential Sponsors and those throughout the credential value chain feel the impact of this trend. With credential development costs at an all-time high, Credential Sponsors realize they must take action to prevent fraud and promote and protect the credibility and value of their credentials in the marketplace. A single breach or even minor fraudulent activity can immediately wipe out the investment made by the Credential Sponsor in developing and marketing their credential offerings. Corporations are facing increased pressure from both shareholders and governmental regulators to pay close attention to the facts surrounding their employees, officers, and directors; and some companies have lost more than 14% of their market value when they were forced to reveal that their senior executives had lied about their credentials.

The Society for Human Resource Management (SHRM) reports that organizations now understand the importance of performing background screening with almost 96% of employers doing so today. Ten years ago, only about 50% were performing background screening. They also report that they are finding more misleading information on resumes than ever before. This is a trend that will continue as the workforce becomes more global and corporations continue to outsource to various regions around the world fueling an already competitive employment market.

Credential Sponsors possess the control, authority and responsibility and should address the trend of credential fraud by implementing the appropriate business processes and systems. Credential Sponsors must take the appropriate action to protect those affected by credential fraud including employers, business partners, candidates and the sponsors themselves. Providing a timely and cost effective method to securely track and verify credentials will protect and promote the value of the credential in the marketplace and will serve to drive out those that choose to be dishonest. It is imperative that Credential Sponsors take the lead in addressing the issue of credential fraud.

To help control credential fraud, Credential Sponsors should offer secure Internet-based verification capabilities to be used by employers, business partners, background screening companies and others needing to verify credentials. This capability needs to adhere to all applicable United States and international privacy standards including the Fair Credit Reporting Act and the Family Educational Rights and Privacy Act.

Through a secure and authenticated credential verification service, Credential Sponsors will be able to thwart credential fraud, provide a much-needed service to those that use the credentials and enable themselves to promote and grow their credential programs.

The Growing Problem of Credential Fraud

Fraud is Rampant

As competition and accountability in the global workforce continue to accelerate, education and ongoing professional development are required currency for participation. Without the proper credentials, individuals are being left behind. Acquiring and maintaining credentials is so important to individuals' careers that many people are now inclined to stretch the truth about their backgrounds. In the book *The Cheating Culture: Why More Americans Are Doing Wrong To Get Ahead* author David Callahan examines this topic and asserts that much of today's cheating and fraud are a result of the competitive economic climate of the past twenty years. Credential fraud has become so rampant that, as the following examples illustrate, it is affecting organizations and individuals at the highest levels. Consider the following:

- George O'Leary was hired as Notre Dame's football coach. He was forced to resign five days afterward when it was revealed that he lied about having a master's degree from NYU.ⁱ
- Sandy Baldwin was forced to resign as Chief Executive of the US Olympic Committee when it was discovered that she lied about having an undergraduate degree from the University of Colorado and a doctorate from Arizona State. She had neither.ⁱⁱ
- Neil Taylor, Chief Executive of the Shrewsbury and Telford Hospitals NHS Trust in the United Kingdom was forced to resign when it was discovered that he had lied about having a management degree from Nottingham University. He had never taken a course there.ⁱⁱⁱ
- Kenneth Lonchar, Chief Financial Officer of Veritas was ousted when it was discovered that he had lied about having an MBA from Stanford.^{iv}

While these examples might be dismissed as serious but isolated lapses in judgment, data from ADP Screening and Selection Service indicates that fraudulent reporting of credentials is indeed a serious and far-reaching problem. In reviewing and confirming information received on 2.6 million job applications, ADP found that 44% contained work history inaccuracies and 41% contained false education credentials.^v HireRight, another background screening organization, reported that 20% of resumes they investigated contained falsified degrees and that 80% contained misleading information.^{vi}

Fraud in Information Technology Certification

With academic credentials seen as the entrée into executive offices of large, global organizations, IT certification is the basic requirement for those wishing to pursue technology careers. As more skilled IT workers enter the global workforce, competition is intense and typically requires applicants to show referenceable work experience, excellent academic credentials and verifiable certifications from leading IT vendors. These are critical necessities in order to be hired into the complex IT infrastructure of today's organizations.

As might be expected in highly competitive times, individuals have already begun employing the tactics referenced in the examples above and have created a thriving market for "fake" IT certifications. Frequently, the cost and time involved in taking the certification exams is motivation enough to many who simply want to get ahead quickly. Worse yet are those individuals who lack the knowledge and skills to successfully complete the exam and are therefore unable to perform the job function. Individuals can easily obtain false professional certificates and can just as easily falsely claim they have the certifications. These factors have begun to erode the credibility of some certifications in the marketplace. This is a trend that, if unchecked, will continue to compromise the value and credibility of these credentials and will result in them being less sought after by candidates and employers.

A basic web search will quickly highlight the enormity of fraud within the IT certification industry. In just a matter of minutes, fake certificates for Microsoft, Cisco, CompTIA, Novell and most other leading IT vendor certifications can be located and purchased online. These fake certifications come at a fraction of the cost of actually preparing for and taking the certification exams from any of these Credential Sponsors. Of course, these fake certificates are easily reproduced and offered to unknowing potential employers by the “candidate” during the hiring process.

It is logical to conclude that, as the United States and other Western countries continue to outsource IT functions to India, Asia, Brazil and Eastern Europe, individuals in those regions will feel mounting pressure to fraudulently claim they hold IT certifications. It is clear that the rapid globalization of the worldwide IT workforce will increase the pressure on individuals to misrepresent their credentials.

The Costly Impact of Credential Fraud

A rudimentary understanding of the value chain of professional credentialing is required to fully appreciate the impact of credential fraud. Typically, the credentialing process involves a series of key, and sometimes complex, phases including design of the credential criteria, development of exams, delivery of exams, tracking achievement against the criteria and issuing the credential. Each of these stages may require significant investment on the part of the Credential Sponsor to ensure that the credential meets the business and credential objectives of all stakeholders throughout the value chain. This investment can be considerable and may be rendered valueless if any of the stages are comprised, especially through fraudulent activity. As such, each stage requires security and fraud-prevention measures to:

1. Protect the integrity and credibility of the credential and
2. Preserve the investment of monies and time in the credential.

To date, the credentialing industry has primarily focused security and fraud-prevention on the exam development and delivery processes. As such, Credential Sponsors make significant investment in the development of statistically reliable and valid item banks and exams. Exam development costs continue to rise with exam and item validation being an expensive and lengthy process. Those in the know, state that the industry-wide cost to develop a single exam item generally ranges from \$250 to \$1,000.^{vii} In addition to this, industry sources indicate that the cost to deliver one computer-based, “high-stakes” exam – an exam delivered in a proctored environment – typically ranges from \$40 to \$60 per exam.^{viii}

It's obvious that exam and item bank breaches are very costly to the credential sponsors as they may have to retire entire item banks, invalidate exams, redevelop items, and/or publish the replacement exam and possibly invest in public relations campaigns to restore public trust in their credentials. For one 50-question exam (with the appropriate sized item bank), at \$250 to \$1,000 per item, the minimum direct cost could well exceed \$100,000. These breaches can also be costly (time and money) to candidates if the exams they took are invalidated and they have to retake the exams when the replacement exams become available. There is a further ripple affect in timing delays, costs etc. to business partners and employers who depend upon the credentialed individuals.

Fraud Impacts Credential Sponsors

While Credential Sponsors are impacted by the real financial costs mentioned above, it can be argued that this credential fraud trend will result in a more damaging problem over the long run and will impact the Credential Sponsor more than any other stakeholder in the value chain. Simply put, credential fraud destroys the credibility of the very thing it covets – the credential itself. Fraudulent activity going unchecked by the Credential Sponsor will seriously erode the credibility of the credential and make it less attractive in the marketplace. It is likely that this

credibility crisis will also permeate other credentials which the sponsor developed and would impact their entire business if the problem were left unattended.

Fraud Impacts Employers and Business Partners

Employers may experience significant consequences when they are faced with credential fraud. These consequences can be enormous and run the gamut from embarrassment and compromised business performance on one end, to the destruction of shareholder value and civil and criminal liability on the other.

It's clear from current examples in the marketplace that employers who hire non-credentialed and dishonest applicants are exposing themselves to legal liability including negligence claims, shareholder lawsuits and declining market value. This is true across all industries including healthcare, legal, financial, IT and manufacturing. One example of where this applies in the IT industry is with IT vendor programs whereby business-partner companies – participants in reseller channel or warranty claims programs – gain monetary and other benefits by employing IT credentialed individuals. If they realize these benefits while employing fraudulently credentialed technicians, they are legally exposed in their relationship with the program sponsor as well as with their customers.

The financial impact of credential fraud on employers is quite evident as lawsuits have to be defended, public relations campaigns must be developed and launched to deal with diminished public perception and basic items such as Director, Officer and Executive insurance is cancelled or premiums greatly increased.

Fraud Impacts Candidates

Since credential fraud impacts the overall market value and demand for a particular credential, candidates who have invested the time and resources to complete the credential are invariably hurt by the eroding market conditions. Those who invest a great deal in meeting the requirements in an honest fashion almost always demand that the Credential Sponsor protect their investment and take decisive action against those who cheat and fraudulently claim they hold the credential. Candidates will abandon both the credential and the sponsor if market conditions do not provide an adequate return on their investment and that ultimately hurts the Credential Sponsor as they lose key support from the market participants.

Fraud Impacts Shareholders

It is very evident that shareholders will punish organizations involved in credential fraud. A company's credibility is heavily dependent on its human resources and, when an employee's integrity is questioned – especially that of a senior executive – the market almost always responds accordingly. When Veritas publicly revealed that its CFO had incorrectly reported having an MBA from Stanford jittery investors responded immediately and wiped out more than 14% of shareholder value.^{ix}

Best Practices to Minimize Credential Fraud

Credential Sponsors Should Endorse and Promote Credential Verification

According to the Society for Human Resource Management's (SHRM) 2004 Reference and Background Checking Survey Report, slightly over 50% of organizations conducting reference checks outsource a portion or all of the organization's verification, background and reference checks. As previously cited, the same report mentioned that 96% of HR professionals always

conduct reference checks, and more than 66% stated that they could always verify dates of employment but less than 25% said they are always able to get adequate information in other areas.^x Further survey results:

- Professional Credentials (Certifications or Licenses)
 - 75% of respondents always or sometimes verify credentials
 - 24% of respondents stated they always or sometimes found inconsistencies in the information
- Academic Degrees
 - 66% of respondents always or sometimes verify degrees conferred
 - 32% of respondents stated they always or sometimes found inconsistencies in the information
- School Attendance
 - 65% of respondents always or sometimes verify schools, colleges and/or universities attended.
 - 31% of respondents stated they always or sometimes found inconsistencies in the information.^{xi}

Less than 10 years ago, 51% of employers were verifying prospective employee background information compared with today where 96% of employers verify background information.^{xii}

It's clear from these statistics that employers understand the importance of verifying information they receive from job applicants and are verifying and/or attempting to verify more now than ever. Employers are more likely to seek out individuals who have credentials which are easily verified through streamlined processes offered through the Credential Sponsor. The employers want and need this service and the Credential Sponsors should endorse and promote it for their sponsored credentials.

Credential Sponsors Should Develop Credential Verification Strategy

Credential Sponsors must take the lead in creating and maintaining business processes and controls necessary to protect the value of and investment in their credentials. As the gatekeeper of their own credentials, the sponsor must be aggressive in seeking efficient and effective methods to promote and protect their candidates and those that employ them from the fraudulent activities of others willing to compromise their integrity to get ahead.

While most Credential Sponsors have invested heavily in the design, development and delivery of exams, they must now take steps in other areas to safeguard the credibility of their credentials in the marketplace. One of the key areas which is showing significant growth and should be receiving greater attention from sponsors is credential verification. Providing a secure and automated method of authentically verifying a candidate's credential status will become increasingly important as Credential Sponsors become more embattled with fraud against their programs.

Credential Sponsors should immediately adopt credential verification measures to:

- Protect the integrity and credibility of the credential.
- Preserve the investment of monies and time in the credential.
- Promote the efficiency of the credential verification process for human resources departments, employers, and business partners to improve the adoption of professional credential verification.

Credential Sponsors Should Implement Credential Verification System

Credential Sponsors should make the appropriate investments in business processes and technologies and implement:

1. A secure, Internet-based verification capability to provide real-time authenticated credential verification for use by employers, business partners, background screening companies and others needing to verify credential status.
2. A secure, Internet-based verification capability for use by credential holders (Candidates) to enable them to provide proof of their credentials to interested parties.
3. Policies that ensure that credential verification processes are in compliance with federal legislation including the requirements of the Fair Credit Reporting Act (FCRA) and Family Educational Rights and Privacy Act (FERPA).
4. Policies that ensure that credential verification processes are in compliance with international privacy policies.
5. Policies that ensure that a complete audit trail of each credential verification request is accurately maintained.
6. Policies that provide legal indemnification and protect the Credential Sponsor from errors in the credential verification process.
7. Cooperative credential verification clearinghouse that will make the credential verification industry more efficient and cost effective.

Integral7 Credential Check

The Integral7 Credential Check™ credential verification service meets and exceeds the recommended best practices listed above. It provides a secure and automated means to electronically verify a candidate's credential status while adhering to all applicable privacy standards. It is an efficient, cost-effective and timely solution to verify a candidate's credential status and reduces the administrative costs and burden for what has historically been a difficult and non-standard process.

This reliable and authenticated verification service promotes judicious, well-informed and confident decision making about hiring, promoting and compensating individuals and provides organizations with the confidence that candidates have the most current credential along with the knowledge, skills and abilities to perform their job.

Integral7 Credential Check is available to entities such as employers, potential employers, background-screening companies, staffing agencies, academic institutions, government agencies and recruiting firms. By simply obtaining the candidate's permission (typically via a signed job application), the employer utilizes the secure, Internet-based Credential Check Portal™, and provides the candidate's name, credential ID along with the credential program name, and receives immediate verification of the candidate's credential status.

Benefits of Verifying Credentials

Integral7 Credential Check provides a variety of benefits to Credential Sponsors, organizations needing to verify a candidate's credential status, and the candidates themselves. In addition to providing organizations with more informed and timely decision making regarding hiring and compensating staff, other key benefits are:

- **Improved Efficiency and Convenience.** Receive verifications through a 24/7, streamlined process that reduces the administrative costs, burden and associated errors of manually verifying a candidate's credential status.
- **Instant Verifications.** Simple and straightforward process makes verifications available almost immediately.
- **Reduced Costs.** Seamless online credential verifications eliminate manual verification costs freeing your staff for other tasks, thereby increasing productivity while saving costs!
- **Exclusive Access.** This service is the exclusive and single-source for online verification of leading IT certifications. (Broadening to other industry credentials.)
- **Protect Credential Investment and Integrity.** This service reduces credential fraud and therefore protects the investment in the credential by providing an efficient and effective way to securely and authentically validate credentials and reduce the risk and associated costs of hiring unqualified individuals.
- **Promote and Increased Value.** Cost savings plus credential credibility plus broad visibility and access to employers all add up to an increased value of the credential

Operational Model

Integral7 Credential Check is available through the Credential Check Portal to an established and vast channel of employers, background-screening companies, staffing agencies, academic institutions, government agencies and recruiting firms wishing to verify candidate certifications.

Integral7 Credential Check is a transaction-based process that is simple and straightforward and allows organizations to receive single verifications of candidate credentials directly from the Credential Check Portal or in a more robust batch format through an integrated web-service.

Through an easy, step-by-step process, organizations may set up an account on the I7CV Portal and begin verifying candidate certifications almost immediately.

Candidate Privacy

Because Integral7 Credential Check adheres to privacy standards that govern the release of confidential information in the United States and internationally, organizations are required to have the candidate's permission to verify their credential status. As a part of the verification process, organizations will be asked to validate that they have received this permission before the candidate's information will be released.

Conclusion

Credential fraud is a very serious problem and is growing rapidly as the global workforce becomes more competitive and holding credentials increase as a requirement of employment. Credential Sponsors possess the control, authority and responsibility and must take proactive measures to address this issue before it further erodes the marketplace opinion of professional credentials. Credential Sponsors already recognize the importance of security measures such as secure item banks and proctored exam delivery as means to protect the integrity of their exams. **However, they must take action and address the fact that a lack of credential verification strategy and implementation exposes a critical security gap in the credentialing process.**

It is obvious that Credential Sponsors are currently losing this battle as more individuals fraudulently claim academic degrees, professional licenses and certifications. The passive alternative, through inaction, is for Credential Sponsors to watch as their credentials become so compromised by fraud as to have little or no value and/or become less relevant in the marketplace as employers and honest candidates choose other means to prove their skills or choose other professions all together. This issue is gathering momentum quickly; if not addresses it will result in a backlash against the professional credential industry.

Integral7 Credential Check provides Credential Sponsors with a reliable, timely and cost-effective solution to addressing the issue of credential fraud and will help promote the adoption and on-going demand for a sponsor's program. To find out more about our offerings please visit our website at www.integral7.com or call us at (888) 754-3600.

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