

# DIRECTIVE

## WORKFORCE SERVICES

Number: WSD09-6

Date: January 26, 2010  
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TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: FEDERAL BONDING PROGRAM

### EXECUTIVE SUMMARY:

#### Purpose:

This directive issues policy and procedures for the administration of the U.S. Department of Labor's (DOL) Federal Bonding Program for at-risk job seekers. This issuance provides direction on eligibility for bonding and outlines procedures for requesting bonds.

#### Scope:

This directive applies to all Workforce Service offices and Local Workforce Investment Areas.

#### Effective Date:

This directive is effective on date of issuance.

### REFERENCES:

- [Federal Bonding Program](#)

### STATE-IMPOSED REQUIREMENTS:

This directive contains some state-imposed requirements. These requirements are indicated in ***bold, italic print***.

### FILING INSTRUCTIONS:

Retain this directive until further notice.

## **BACKGROUND:**

The DOL created the Federal Bonding Program as an employer job-hire incentive that guaranteed the job honesty of at-risk job seekers. Federal financing of fidelity bond insurance, issued free-of-charge to employers, enables the delivery of bonding services as a unique job placement tool to assist ex-offenders and other at risk or hard-to-place job applicants (e.g., recovering substance abusers, welfare recipients, individuals with poor credit, etc.). The Employment Development Department (EDD) administers this program, on behalf of DOL, in California.

Fidelity Bonding is insurance purchased to indemnify employers for loss of money or property sustained through the dishonest acts of their employees (i.e., theft, forgery, larceny and embezzlement). Employers receive the bonds free-of-charge as an incentive to hire hard-to-place job applicants as wage earners. The fidelity bond insurance reimburses the employer for any loss due to employee theft of money or property with no deductible amount becoming the employer's liability, which equates to 100 percent bond insurance coverage.

For years the EDD has offered bonding services in the Workforce Services offices (formerly Job Service offices). This directive expands this service to Local Workforce Investment Areas. This directive endorses the "user friendly" character of the Federal Bonding Program by adopting the key features as follows:

- No special application form for the job seeker to complete.
- No papers for the employer to submit or sign to obtain free bond incentive to hire.
- No follow-up and no termination actions required by bond issued.
- No deductible in bond insurance amount if employee dishonesty occurs.
- No Federal regulations covering bonds issued.

National management and direction for the Federal Bonding Program is provided by The McLaughlin Company in Washington, D.C., under contract with DOL's Employment and Training Administration.

## **POLICY:**

***This directive designates EDD Workforce Services offices and Local Workforce Investment Areas as the entities that may issue bonds to at-risk individuals. Although not mandated, the State encourages offices to participate in this program. The Workforce Services and Local Workforce Investment Areas offices need to designate individuals responsible for bonding services. The names of designated staff should be e-mailed to the State Bonding Coordinator in the Workforce Services Division (WSD) at [WSB\\_Bonding@edd.ca.gov](mailto:WSB_Bonding@edd.ca.gov). Changes in staff designation should also be directed to the State Bonding Coordinator as they occur.***

***Fidelity bonds may be issued for \$5,000 to \$25,000, in increments of \$5,000, for six months free-of-charge, and cannot be cancelled, forfeited, terminated or***

**transferred to another employee. The Workforce Services and Local Workforce Investment Area staff may request bonds up to \$10,000 without prior approval by the WSD Bonding Coordinator. Requests for increased coverage will be considered on a case-by-case basis. Please contact the Bonding Coordinator via e-mail at [WSB Bonding@edd.ca.gov](mailto:WSB Bonding@edd.ca.gov) for bonding requests over \$10,000.**

#### Eligibility for Bonding Services

To be eligible for bonding, job seekers must have a firm job offer and have the legal right-to-work. Registration in the Wagner-Peyser Act program or enrollment in the Workforce Investment Act program is not required for bonding. Individuals eligible for bonding services include:

- Any at-risk job applicant is eligible for bonding services, including ex-offender, recovering substance abusers (alcohol or drugs), welfare recipients and other persons with poor financial credit, economically disadvantaged youth and adults who lack a work history, individuals dishonorably discharged from the military.
- Current employees who are not bondable under the employer's insurance and who need bonding in order to secure a promotion to a new job requiring bonding or to prevent layoff or termination.
- Anyone who cannot secure employment without bonding.

All workers must meet the legal age (18 years old) for working in California and be paid wages with federal and state taxes automatically deducted.

#### **PROCEDURES:**

***The Workforce Services and Local Workforce Investment Area staff must verify that the job seeker has a firm job offer and examine documents for right-to-work compliance. After verification, staff will complete the attached forms, EDD's Fidelity Bonding Certification Request and EDD's Fidelity Bonding Employer Confirmation Letter. These forms should be sent to:***

***EDD, Workforce Services Division  
Bonding Program Coordinator, MIC 50  
P.O Box 826880  
Sacramento, CA 94280-0001***

***The State Bonding Coordinator will sign, date, affix the bond stamp, and send to The McLaughlin Company. When received, The McLaughlin Company will communicate directly with the employer.***

## Reporting for Registered and Enrolled Participants

***Bonding may be considered a service in both the Wagner-Peyser Act and Workforce Investment Act programs when individuals receive other services or training. The following provides guidelines for reporting:***

***Workforce Services: When Workforce Services staff provides the job seeker with services in addition to bonding, they may record bonding as a service in the Program Activity Support System.***

***Local Workforce Investment Areas: If the job seeker is enrolled and case-managed in the Workforce Investment Act program, Local Workforce Investment Act staff may record bonding in the Job Training Automation (JTA) system as an intensive service, as noted on the JTA Enrollment Form.***

## Continuation of Bond Coverage

If no claim has been made against the policy at the completion of the six-month coverage period, employers have the opportunity to purchase continuing coverage at the normal commercial rates through The McLaughlin Company. To arrange the purchase of a transfer bond, the employer is required to contact Ms. Brenda Mantz at 1-800-233-2258, 30 days prior to the bond expiration date.

## Retention and Confidentiality of Records

***Completed bonding records should be retained for three years. These documents are confidential and should be disposed of using existing procedures for confidential materials.***

### **ACTION:**

Bring this to the attention of appropriate staff.

### **INQUIRIES:**

If you have any questions, please contact your [Regional Advisor](#).

/S/ BOB HERMSMEIER  
Chief  
Workforce Services Division

Attachments are available on the Internet:

1. [Fidelity Bonding Certification Request](#) (DOC)
2. [Fidelity Bonding Employer Confirmation Letter](#) (DOC)
3. [Summary of Comments](#) (PDF)