

TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: FEDERAL BONDING PROGRAM

EXECUTIVE SUMMARY

Purpose

The Central Office Workforce Services Division (COWSD) is issuing 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 the Northern, Los Angeles/Ventura and Southern Workforce Services Divisions (WSD) and Local Workforce Development Areas (Local Areas).

Effective Date

This directive is effective on the date of issuance.

REFERENCES

- Federal Bonding Program
- Workforce Services Internal Administrative Notice (IAN) 14-003, Subject: *CalJOBSSM Service Code Listing*

STATE-IMPOSED REQUIREMENTS

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

FILING INSTRUCTIONS

This directive supersedes Workforce Services Directive WSD09-6, dated January 26, 2010. 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 at no cost 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 in California on behalf of DOL. The EDD's Workforce Services' field staff and the Local Area's partners collaborate through America's Job Center of CaliforniaSM (AJCC) locations. Accordingly, the EDD field staff and Local Area partners will be represented in this directive as AJCC staff.

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 at no cost as an incentive to employ 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. This equates to 100 percent bond insurance coverage. National management and direction for the Federal Bonding Program is provided by the Union Insurance Group, under contract with DOL's Employment and Training Administration.

This updated policy requires that recipients of fidelity bonds be registered in CalJOBSSM (résumé not required) and the appropriate case note template be completed by staff for federal reporting purposes.

POLICY AND PROCEDURES

As AJCC staff, the EDD and Local Area partners are authorized to issue fidelity bonds. The AJCC staff must record all fidelity bonds issued in CalJOBSSM. Information on the fidelity bonding program provided to case managed clients must also be documented in CalJOBSSM.

Fidelity bonds may be issued for \$5,000 to \$15,000, in increments of \$5,000, for six months at no cost, and cannot be cancelled, forfeited, terminated or transferred to another employee. The AJCC staff may request up to \$10,000 without prior approval by the State Bonding Coordinator. Requests for increased coverage will be considered on a case-by-case basis. The AJCC staff must contact the employer to establish and document the employer's justification for requesting a higher bond. The AJCC staff must record this information in the appropriate case note template in CalJOBSSM. The AJCC staff must contact the State Bonding Coordinator via e-mail at WSBBonding@edd.ca.gov for bonding requests for \$15,000 with the employer

justification. Upon approval, the AJCC staff must complete the bonding case note in CalJOBSSM to include the date of approval from the State Bonding Coordinator.

Marketing

The AJCC staff should encourage eligible job seekers to mention their access to a bond to potential employers during their job search and if given a job offer. The AJCC staff should market the Fidelity Bonding Program to employers as an incentive to retain current employees for promotional opportunities or to prevent layoff or termination of those not bondable by the employer's insurance.

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 no-cost 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.

Eligibility

Job seekers are allowed separate bonds for multiple employers throughout their lifetime as long as all eligibility criteria are met. To be eligible for bonding, job seekers must have a firm job offer and have the legal right-to-work. Job seekers eligible for bonding services include the following:

- Any at-risk or hard to place job applicant.
- Ex-offenders (parole, probation, arrest or police record).
- Recovering substance abusers.
- Welfare recipients.
- Poor credit or bankruptcy.
- Dishonorable discharge from military.
- Disadvantaged youth who lack a work history (must be at least 18 years old).
- Anyone not bondable by commercial insurance companies.
- Anyone who cannot obtain a job without bonding.
- Current employees not bondable by their employer's insurance and require bonding to maintain employment or secure a promotion within the company avoiding layoff or termination.

Job seekers must meet the following eligibility criteria for bonding services:

- Right-to-work documents verified and posted to CalJOBSSM.
- Has firm job offer with start date of employment.
- Qualified for the position.

- Must be at least 18 years old.
- Not bondable through commercial insurance companies.
- Cannot be self-employed or an owner/operator.
- Federal and state taxes deducted from wages.

Employers must meet the following eligibility criteria for bonding services:

- Bond must be for a specific position, person, and amount.
- Willing to hire an at-risk job seeker.
- Must pay wages with federal and state taxes automatically deducted from paycheck.
- Must ensure job seeker meets all the job seeker eligibility criteria.

See Attachment 1 for guidance on the *Eligibility Checklist Guide Card*.

Staff Procedures

- ***Verify job seeker's right-to-work (RTW) documents are recorded in CalJOBSSM.***
- ***Ensure job seeker's CalJOBSSM registration is complete. (Note that a completed résumé is not required.)***
- ***Interview job seeker to determine eligibility.***
- ***Explain program requirements.***
- ***Obtain approval from job seeker to discuss eligibility criteria with employer.***
- ***Contact employer and verify eligibility requirements.***
- ***Complete Fidelity Bonding forms: EDD Fidelity Bonding Certification Request and EDD Fidelity Bonding Employer Confirmation Letter.***
- ***Make a copy of Fidelity Bonding forms for office file or scan and store documents in a secure centralized file available to all AJCC staff.***
- ***Record bonding service and case notes in CalJOBSSM.***
- ***Send both forms with original signatures by mail only.***

These forms with original signatures should be sent to the following address:

***EDD, Central Office Workforce Services Division
State Bonding 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 Union Insurance Group. The Union Insurance Group will communicate directly with the employer.

See Attachment 2 for the EDD Fidelity Bonding Certification Request.

See Attachment 3 for the EDD's Fidelity Bonding Employer Confirmation Letter.

Reporting for Registered and Enrolled Participants

Bonding is considered a staff-assisted service in both the Wagner-Peyser Act and Workforce Innovation and Opportunity Act programs. The CalJOBSSM activity code definition for fidelity bonding in IAN 14-003 has been modified. Activity code 124, Received Bonding Assistance, is defined now as, "Staff provided information on fidelity bonding program or completed the steps required to provide an at-risk or hard-to-place participant with a fidelity bond."

See Attachment 4 for the CalJOBSSM Service Code and Case Notes Guide Card.

The following provides guidelines for reporting:

Information Only

Non-registered job seekers may receive general bonding information with no requirement of AJCC staff to record the service in CalJOBSSM.

Case-managed Wagner-Peyser or WIOA job seekers may receive bonding information. The AJCC staff will record this service with activity code 124 in CalJOBSSM. Completing a case note template is not required for recording the receipt of bonding information.

Job Seeker Requesting Fidelity Bond

A non-registered job seeker requesting a fidelity bond must provide proof of eligibility and must become registered in CalJOBSSM (resumé not required) by EDD or partner staff. Right-to-work documents must be verified and posted to CalJOBSSM. The AJCC staff must record the service under activity code 124 and complete the appropriate case note template based on the bond amount.

A job seeker registered in CalJOBSSM is required to provide proof of eligibility for the bond. Verification of the job seeker's right-to-work documents must be posted in CalJOBSSM. The AJCC staff must record the service under activity code 124 if not previously used to provide information and complete the appropriate case note template based on the bond amount.

All Disabled Veterans' Outreach Program (DVOP) Specialists are able to provide bonding services to Veterans' Intensive Program (VIP) participants.

See Attachments 5 and 6 for instructions on how to record the case notes in CalJOBSSM.

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 Union Insurance Group. To arrange the purchase of a transfer bond, the employer is required to contact Mr. Ron Rubbin at 1-800-233-2258, 30 days prior to the bond expiration date.

Retention and Confidentiality of Records

Paper or scanned copies of completed bonding forms should be retained for three years. These documents are confidential and should be disposed of using existing procedures for confidential materials. Scanned documents must be stored in a secure, centralized file accessible to all AJCC staff.

ACTION

Bring this to the attention of appropriate staff.

INQUIRIES

If you have any questions, please contact the State Bonding Coordinator at WSBBonding@edd.ca.gov.

/S/ JOSÉ LUIS MÁRQUEZ, Chief
Central Office Workforce Services Division

Attachments are available on the Internet:

1. [Guide Card: Eligibility Checklist](#)
2. [Fidelity Bonding Certification Request \(DOC\)](#)
3. [Fidelity Bonding Employer Confirmation Letter \(DOC\)](#)
4. [Guide Card: Service Code and Case Notes](#)
5. [How to Record Fidelity Bonding \\$5,000-10,000 Case Note](#)
6. [How to Record Fidelity Bonding for \\$15,000 Case Note](#)