

## FEDERAL BONDING PROGRAM

### EXECUTIVE SUMMARY

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This policy provides the guidance and establishes the procedures regarding administration of the Employment Development Department's (EDD) Fidelity Bonding Program. This policy applies to all EDD Workforce Services Branch (WSB) Field Divisions and Local Workforce Development Areas (Local Areas), and is effective on the date of issuance.

This policy contains some state-imposed requirements. All state-imposed requirements are indicated by ***bold, italic*** type.

This Directive finalizes Workforce Services Draft Directive *Federal Bonding Program* (WSDD-198), issued for comment on May 8, 2019. The Workforce Development Community submitted three comments during the draft comment period. A summary of comments, including all changes, is provided as Attachment 3.

This policy supersedes Workforce Services Directive *Federal Bonding Program* (WSD15-02), dated September 9, 2015. Retain this Directive until further notice.

### REFERENCES

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- Training and Employment Guidance Letter [14-13](#), Subject: *Promoting the Use of the Federal Bonding Program as a Valuable Job Placement Tool When Assisting At-Risk Job Seekers* (December 9, 2013)
  - Workforce Services Information Notice [WSIN17-09 \(PDF\)](#), Subject: *CalJOBS<sup>SM</sup> Activity Codes* (September 29, 2017)
  - [Federal Bonding Program - Bonds4Jobs Website](#)

*The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.*

## BACKGROUND

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The Department of Labor's (DOL) Federal Bonding Program is a job-hire incentive for employers that guarantees the job honesty of at-risk job seekers. Federal financing of fidelity bond insurance 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.

Fidelity bond insurance is provided to employers, free-of-charge with zero deductible, as an incentive to employ at-risk job seekers and to reimburse employers for theft of money or property sustained through the dishonest acts (theft, forgery, larceny, and embezzlement) of their employees. The fidelity bond cannot be cancelled, forfeited, terminated, or transferred to another employee.

The Union Insurance Group, contractor of DOL's Employment and Training Administration, provides national management and direction of Federal Bonding Program, and issues Chubb's fidelity bond insurance policy to the employers.

## POLICY AND PROCEDURES

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The America's Job Center of California<sup>SM</sup> (AJCC) staff, comprised of the EDD WSB Field Division staff and Local Area partner staff, are authorized to provide fidelity bonding services. The AJCC staff issue fidelity bonds to eligible employers.

The AJCC staff may issue six month fidelity bond(s), free-of-charge with zero deductible, to employers for either \$5,000, \$10,000, or \$15,000 coverage to hire each at-risk job seeker or to retain an existing employee. A \$15,000 fidelity bond coverage is considered on a case-by-case basis by the State Bonding Coordinator (SBC). The employer and worker must meet specific eligibility criteria outlined in the Eligibility Criteria section in order to be eligible for fidelity bonding.

### Marketing EDD's Fidelity Bonding Program

The AJCC staff should encourage eligible job seekers to notify potential employers of their eligibility for the EDD Fidelity Bonding Program. The AJCC staff should market the program to employers as an incentive to hire at-risk job seekers, retain employees for promotional opportunities, or to prevent layoff or termination of those not bondable by the employer's insurance. The AJCC staff should provide the EDD Fidelity Bonding Program [Fact Sheet \(PDF\)](#) to job seekers and employers, and market the following user friendly process of the program:

- No application for the job seeker or employer to complete or sign
- No follow-up or termination action required by the job seeker or employer
- No deductible paid by employer if a fidelity bond claim is filed
- No Federal regulations applicable to fidelity bonds issued

## Eligibility Criteria

A job seeker or an employee may receive a fidelity bond only when both, *Worker Eligibility Criteria* and *Employer Eligibility Criteria*, are met.

### *Worker Eligibility Criteria*

Job seekers and employees must meet one of the *At-Risk Groups*, and *Job Seeker Eligibility Criteria* or *Employee Eligibility Criteria*:

At-Risk Groups
<ul style="list-style-type: none"><li>• Any at-risk or hard-to-place job seeker</li><li>• Ex-offenders (parole, probation, arrest or police record)</li><li>• Recovering substance abusers; completed rehabilitation for drug/alcohol abuse</li><li>• Welfare recipients (Temporary Assistance for Needy Families recipients)</li><li>• Poor credit history or bankruptcy</li><li>• Dishonorable discharge from military</li><li>• Disadvantaged adult and youth who lack a work history (must be at least 18 years old)</li><li>• Anyone who cannot obtain a job without bonding</li><li>• Current employees not bondable by their employer's insurance company, and need bonding to secure a promotion within the company or to avoid layoff or termination</li></ul>

AND

Job Seeker Eligibility Criteria	Employee Eligibility Criteria
<ul style="list-style-type: none"><li>• Have authorization to work documents,</li><li>• Must be at least 18 years old,</li><li>• Have firm job offer with start date of employment (written job offer letter from the employer is not required),</li><li>• Job position requires bonding,</li><li>• Qualified for the job position,</li><li>• Not bondable through commercial insurance company, and</li><li>• Not self-employed or an owner/operator.</li></ul>	<ul style="list-style-type: none"><li>• Fidelity Bond required to prevent a layoff, or to secure a transfer or promotion within same company,</li><li>• Meet all Job Seeker Eligibility Criteria, except for the firm job offer requirement, and</li><li>• Effective date of the fidelity bond is provided by the employer.</li></ul>

OR

Job seekers and employees are allowed separate fidelity bonds for infinite employers.

### *Employer Eligibility Criteria*

Employers must meet all of the following criteria in order to receive a fidelity bond:

- Located in the State of California,
- Fidelity bond must be for a specific position, person, amount, and any employment type (full-time, part-time, temporary, and seasonal) except self-employment,
- Willing to hire an at-risk job seeker,
- Pay wages with federal and state taxes automatically deducted from paycheck, and
- Ensure job seeker or employee meets all of the eligibility criteria.

## AJCC Staff Procedures

The AJCC staff must follow the procedures below for issuing fidelity bond(s):

- **Determine whether job seeker meets Worker Eligibility Criteria outlined in the Eligibility Criteria section of this Directive.**
- **Ensure job seeker's CalJOBS<sup>SM</sup> registration is complete and verify authorization to work documents are recorded in CalJOBS (CalJOBS résumé is not required).**
- **Obtain approval from job seeker to discuss eligibility criteria with employer.**
- **Contact employer to verify whether employer meets Employer Eligibility Criteria outlined in the Eligibility Criteria section of this Directive, determine the required fidelity bond coverage amount (\$5,000, \$10,000, or \$15,000), and verify the job offer if the job seeker has not provided a written job offer letter from the employer.**
  - **Issuance of \$10,000 and \$15,000 fidelity bond coverage should be limited to workers who have greater access to cash or valuable property. AJCC staff should make the decision based upon reasonable justification by the employer as to the theft risk of the job.**
  - **If employer requires a \$15,000 fidelity bond coverage:**
    - **Obtain employer's justification for requesting a \$15,000 fidelity bond.**
    - **Email SBC at [WSBBonding@edd.ca.gov](mailto:WSBBonding@edd.ca.gov) with employer's justification, to obtain SBC's approval.**
    - **Upon receiving SBC's approval, continue below.**
- **Complete, scan, and email the Fidelity Bonding Certification Request (Attachment 1) to the SBC at [WSBBonding@edd.ca.gov](mailto:WSBBonding@edd.ca.gov). Store the fidelity bond form in a secure centralized location accessible to all AJCC staff and retain the forms for three years.**
- **Record fidelity bond Activity Code 124 and case note in CalJOBS. For instructions, refer to Attachment 2.**

## Reporting Guidelines

Fidelity bonding is considered a staff-assisted service in Wagner-Peyser (W-P) Act, Workforce Innovation and Opportunity Act (WIOA), and Jobs for Veterans State Grant (JVSG) programs. The following chart provides AJCC staff with fidelity bonding assistance reporting guidelines:

Participant Type	Provide Program Information	Issue Fidelity Bond
W-P Case-Managed or WIOA	Record Activity Code 124	Record Activity Code 124 Enter Fidelity Bond Case Note
Non-Registered (register to receive fidelity bond)	No Activity Code Required No Case Note Required	Record Activity Code 124 Enter Fidelity Bond Case Note
JVSG	Record Activity Code 124	

### Filing Claim and Transfer Bond

Employers may file a claim for a loss covered by the fidelity bond insurance policy in writing by mail:

Katarzyna Pawlina  
 Union Insurance Group  
 303 West Erie Street, Suite #310  
 Chicago, IL 60654

If no claim has been made against the policy at completion of the six-month coverage period, employers may purchase continuing coverage, called a Transfer Bond, at normal commercial rates through the Union Insurance Group by contacting Katarzyna Pawlina at 312-799-8400, 30 days prior to fidelity bond expiration date.

### ACTION

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Bring this directive to the attention of the appropriate staff.

### INQUIRIES

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If you have any questions, contact the State Bonding Coordinator at [WSBBonding@edd.ca.gov](mailto:WSBBonding@edd.ca.gov).

/s/JAIME L. GUTIERREZ, Chief  
 Central Office Workforce Services Division

Attachments are available on the internet:

1. [Fidelity Bonding Certification Request \(PDF\)](#)
2. [Instructions for Recording Fidelity Bond Activity Code and Case Note \(PDF\)](#)
3. [Summary of Comments \(PDF\)](#)