

August 26, 2010

To: WIA Contractors of the Orange County
Workforce Investment Area

From: Andrew Munoz *AM*
Community Investment Division Administrator/
Workforce Investment Board Executive Director

Subject: Federal Bonding Program
Information Notice No. 10-OCWDA-02

PURPOSE:

The purpose of this notice is to inform WIA contractors of the policy and procedure for administering the U.S. Department of Labor's (DOL) Federal Bonding Program for at-risk job seekers.

REFERENCES:

Federal Bonding Program
EDD State Directive WSD 09-6 dated January 26, 2010

EFFECTIVE DATE:

This policy is effective upon release

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.

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. EDD has offered bonding services in the Workforce Services offices for many years.

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:

As referenced in EDD Directive WSD 09-06, this policy expands the Federal Bonding Program to the Local Workforce Investment Areas.

This Policy endorses the "user friendly" character of the Federal Bonding Program by adopting the following key features:

- 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.

Fidelity Bonds for \$5,000 to \$25,000, in increments of \$5,000 may be requested by the One-Stop Contractor. Bonds will be issued, free of charge, for a period of six months. Bonds cannot be cancelled, forfeited, terminated or transferred to another employee. One-Stop Contractor may request bonds up to \$10,000 without prior approval. Requests for increased coverage will be considered on a case-by-case basis and must first be authorized by the OCWIB and the State Bonding Coordinator.

To be eligible for bonding, job seekers must have a firm job offer and have the legal right-to-work. Enrollment in the Workforce Investment Act program is not required for bonding.

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

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.

All Bonding records are confidential and should be retained for three years. They must be disposed of using existing procedures for confidential materials.

PROCEDURES:

One-Stop Contractor shall:

- (1) Verify that the job seeker has a firm job offer.
- (2) Examine documents for right-to-work compliance. Establish right to work.
- (3) Complete sections A, B and C of the "Fidelity Bonding Certification Request". Do not sign the form.
- (4) Complete the "Fidelity Bonding Employer Confirmation Letter". Sign the letter on the first signature line under "One-Stop Office".
- (5) Submit both completed forms to the OCWIB Office – Attn: One-Stop Unit.

Upon review, the OCWIB will submit the request to EDD for approval. The EDD 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.

ACTION:

1. Distribute this policy to appropriate staff.

INQUIRIES:

If you have any questions please contact Ron Milone at 714-834-7121
ron.milone@occr.ocgov.com or Jaclyn Canzone at 714-834-6872
jaclyn.canzone@occr.ocgov.com.

ATTACHMENTS:

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

FIDELITY BONDING CERTIFICATION REQUEST

A. Employment Development Department/Local Workforce Investment Area

Workforce Services Office/One-Stop/ARU _____

Workforce Services Office/One-Stop Address _____

City, State, ZIP Code _____

B. Employer Receiving Bond

Company or Agency Name _____

Company or Agency Address _____

City, State, ZIP Code _____

Contact Person's Name _____

Contact Person's Title _____ Telephone Number (____) _____

C. Employee Covered by Bond

Last Name _____ First Name _____ M.I. _____

Social Security Number _____ - _____ - _____ Effective Bond Date (Month)/(Day)/(Year)

Job Title and O-Net Code _____

Signature of Workforce Services/Local Workforce Investment Area Bonding Staff

(____) _____
Telephone Number

Date

**OFFICIAL BOND
INSURANCE STAMP**

**AFFIX
STAMP
HERE**

TOTAL BOND COVERAGE:

\$ 5,000

\$10,000

Signature of Central Office Bonding Coordinator

Date

D. Submit Completed Form to:

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

**FIDELITY BONDING
EMPLOYER CONFIRMATION LETTER**

Date: _____

Company: _____

Address: _____

City, State, ZIP Code: _____

Dear Mr. /Mrs. / Ms. _____:

This is to confirm that a six-month Fidelity Bond Certification for \$_____ with no deductible amount of liability is being issued to your company to provide employee insurance coverage for Mr. /Mrs. / Ms. _____.

The effective date of insurance begins on (Month)/(Day)/(Year) and expires on (Month)/(Day)/(Year).

The Bond Insurance is a policy that is provided by Travelers Property Casualty Company. Within the next 15 business days you will be receiving your copy of the policy for the Fidelity Bond being issued by The McLaughlin Company, 1725 DeSales Street, NW-Suite 700, Washington, D.C. 20036.

Once issued, insurance coverage will remain in effect during the period stipulated. When the initial Bond coverage expires, continued coverage, called a Transfer Bond, may be available for purchase at the commercial rate. If no claim has been made during the coverage period provided by the Employment Development Department (EDD) Fidelity Bonding Program, you may arrange the purchase of a Transfer Bond directly through The McLaughlin Company.

To arrange the purchase of a Transfer Bond, you are required to contact Ms. Brenda Mantz, with The McLaughlin Company, at 1-800-233-2258, 30 days prior to the Bond expiration date. In the event of a loss covered by the policy, you are to file a claim in writing directly with The McLaughlin Company, to the attention of Ms. Brenda Mantz.

We appreciate your interest and cooperation, and thank you for taking advantage of EDD's Fidelity Bonding Program.

Sincerely,

Workforce Services Office/One-Stop Office

ARU

Signature of Workforce Services/Local Workforce Investment Area Bonding Staff

Date

Signature of Central Office Bonding Coordinator

Date

Summary of Comments
Federal Bonding Program Draft Directive

Two individuals provided comments on the Federal Bonding Program Draft Directive. These are as follows:

1. Comment:

The commenter stated the Federal Bonding Program will be extremely helpful to the Workforce Investment Act programs. They further commented that they need this program in their community to improve the economic vitality for the region and the people they serve.

Response:

We appreciate your support. No action needed relative to content of directive.

2. Comment:

The commenter questioned whether LWIAs must participate in the program, but acknowledged that the directive states that "LWIAs may issue bonds."

Response:

We added another sentence on page 2 of the directive under the section titled "Policy" encouraging designated entities to participate in this program.

Comment:

The commenter requested clarification of the "legal age for working in California."

Response:

We defined the legal age (18 years) for receiving bonding services on page 3 under "Eligibility for Bonding Services."