Kansas Department of Commerce
Workforce Services
Policy and Procedures Manual

Policy Number: 5-17-00 (Replaces #2-07-01)

Originating Office: Workforce Services

Subject: Federal Bonding Program

Issued: July 20, 2016

Revised: July 12, 2016

Programs: Federal Bonding Program

Purpose: To transmit guidelines and procedures for the operation of the Federal Bonding Program.

Reference: None.

Background: This document describes procedure for the operations of the Federal Bonding Program. This program is available to jobseekers who have committed a fraudulent or dishonest act, or who have demonstrated other past behavior that casts doubt upon their credibility or honesty. These individuals often experience a special barrier to gaining employment due to their personal backgrounds.

Employers often view these job applicants as being potentially untrustworthy workers regardless of the specific job. This fear is further heightened by the fact that fidelity bond insurance commercially purchased by employers to protect against employee dishonesty usually will not cover these job applicants. As a result, these job applicants are routinely denied employment.

Action: Procedures described in this document should be made available to all workforce centers who serve business or jobseeker customers.

Contact: Questions should be directed to the Federal Bonding Program Manager, (785) 296-0607, TTY: (785) 296-3487, e-mail workforcesvcs@ks.gov.

Attachment: None.

Federal Bonding Program

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Federal Bonding Program

Program Background

This document describes procedure for the operations of the Federal Bonding Program. Federal Bonding is available to jobseekers who have committed a fraudulent or dishonest act, or who have demonstrated other past behavior that casts doubt upon their credibility or honesty. These individuals often experience a special barrier to gaining employment due to their personal backgrounds. Employers often view these job applicants as being potentially untrustworthy workers. This fear is further heightened by the fact that fidelity bond insurance commercially purchased by employers to protect against employee dishonesty usually will not cover these job applicants.

Fidelity bonding is a form of business 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). This "employee dishonesty insurance" is considered a good business management practice, and is purchased by most employers. However, while other types of insurance set premiums that vary according to the degree of risk, fidelity bond companies usually will not cover at-risk persons. This practice has created a special barrier to employment for a growing number of persons who have encountered the criminal justice system, as well as other persons (e.g., recovering substance abusers, credit risks, etc.) whose personal credibility is questionable due to a deviant past act. As a result, these job applicants are routinely denied employment. The inability to get a job is a major factor contributing to the high rates of initial incarcerations and returns to prison (recidivism).

Employer Incentive

Bonding services should be incorporated as an integral component of daily job development and placement operations. The federal bond issued serves as a job placement tool by guaranteeing to the employer the job honesty of the at-risk jobseekers. Employers receive the bonds free-of-charge as an incentive to hire the hard-to-place job applicant so they may become a wage earner. The bond insurance is designed to reimburse the employer for any loss due to employee theft of money or property with no deductible amount. This means the federal bond offers 100 percent insurance coverage and the employer will not be liable for any deductible amount.

As an employer incentive, it conveys a business approach. The employer gets the worker's skills, abilities, and knowledge without risking potential employee dishonesty. There are no forms or other papers for the employer to sign, and no processing to delay the insurance taking effect instantly. Bond insurance represents a mark of confidence in a jobseeker experiencing difficulty to help them secure an opportunity to show they can be a productive worker. The bond insurance can apply to any job at any employer, in any state, and covers any employee dishonesty that occurs on or away from the employer's work facility. Employers should be informed about the availability of this special employer incentive. Job seekers should be made aware that bonding will no longer be a barrier to employment.

Eligibility for Bonding

At-risk job applicants are eligible for federal bonding. This includes ex-offenders, including anyone with a record of arrest, conviction or imprisonment, and anyone who has ever been on probation or parole. Others similarly at-risk are persons in substance abuse recovery programs (alcohol or drugs), welfare recipients, persons having a poor credit record or bankruptcy, economically disadvantaged youth and adults who lack a work history, and individuals dishonorably discharged from the military. Other jobseekers can be classified as at-risk if making them bondable can eliminate their barrier to their employment. There are no age restrictions other than meeting the legal working age set by the state in which the job exists. At-risk job seekers can be bonded for a job with an employer even if other workers already at the company are not bonded.

Purchasing Bonds

The Kansas Department of Commerce (Commerce), Federal Bonding Program administrative office often purchases units of bonds available to the workforce centers on an "as needed" basis. Contact the Federal Bonding Program Manager for additional information.

Cooperating referral agencies should be made aware that this unique job placement tool is available for them to purchase. Federal fidelity bonds can be purchased in packages of 25 (minimum), 50, 75, or 100 units. Each bond unit provides $5,000 coverage against employee dishonesty for a period of six months, starting the first day of work for the individual being bonded. The minimum bond package of 25 cost $2,450. Bonds purchased must be issued within 24 months following the date of purchase.

Assessing Employment Opportunities for Bonding

Bonds can be issued as follows:

- Covers any at-risk worker on any job, full or part-time (preferably 30-hours week) for six months, and
- Issued to any employer regardless of whether the company has or has not commercially purchased any other fidelity bond.
- Covered workers must be paid wages with automatic paycheck deductions for federal taxes; and
- Self-employed persons cannot be bonded.

Determining the Bond Amount

One bond unit that provides $5,000 coverage has proven to be sufficient to facilitate most job placements. Only one bond unit should be issued per placement. This will insure that as many placements as possible will be made with the bond package. Issuing larger bond amounts should be limited to only those workers who can readily steal, at one time, more than $5,000 in money or property.

The following are general policy guidelines that should be observed when determining the bond amount:

- Do not make it known in advance to employers that more than $5,000 bonding can be issued;
- Inform the employer that a $5,000 bond will be issued and discuss larger amounts only at the employer's urging that more coverage is needed;
- Be judicious in considering issuing a larger bond amount; and
- The bond issued has no deductible amount; therefore, the employer receives coverage for the full dollar amount of bond insurance.

Fidelity Bond Certification Form and Confirmation Letter

For each individual bonded, a separate Fidelity Bond Certification form must be completed. A copy of this form, and related instructions for completion, is available through the Federal Bonding Program Manager.

At the same time the completed Fidelity Bond Certification form is transmitted to The McLaughlin Company, a confirmation letter must be sent to the employer. The purpose of this letter is for the employer to have tangible evidence confirming the bond issuance in advance of receipt of the actual fidelity bond insurance policy being mailed by The McLaughlin Company. Instructions for completing the confirmation letter will be attached to the Fidelity Bond Certification Form provided by the Federal Bonding Program Manager.

Renewing Existing Bond

After the initial six-month bonding period, the bond may be renewed for the same individual at the same employer for another six months under the Federal Bonding Program. However, this is not encouraged because Travelers Property Casualty will make the fidelity bond available for purchase by the employer (i.e., a transfer bond) at a regular commercial rate after the six-months of free bonding if the worker has demonstrated honesty during that period (i.e., no claim has been paid for employee dishonesty). If the employer insists on renewing a bond through the Federal Bonding Program, contact the Federal Bonding Program Manager.

Protecting the Integrity of Fidelity Bonding

Bonds are to be issued at no cost to the employer or job applicant. Bonds are not transferable from one employer to another. If the bonded individual is terminated by the employer or leaves the job for positive reasons, and staff wants to bond the same worker at a new job, a new bond must be issued to the second employer for another six-month period.

Processing Employer Loss Claims

Employers should contact The McLaughlin Company, an agent for Travelers Property Casualty, directly to file a claim for employee dishonesty. Travelers Property Casualty will process the claim to expedite appraisal of the loss and settlement.

Note: On the last conference all on 05-18-2016, there was an announcement that Union Insurance Group has bought out The McLaughlin Company. Union Insurance Group will be the new agent that will be representing for Travelers Property Casualty. There was no information given on what date this migration would occur.

Note: On 06-06-2016, the Federal Bonding website has not been updated with any news on the migration. The website still has The McLaughlin Company listed.