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DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH
LANSING

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E-mailed: 4/22/11 (FD)

Bureau of Workforce Transformation (BWT)

Policy Issuance (PI): 10-29

Date: April 22, 2011

To: Michigan Works! Agency (MWA) Directors

From: Liza Estlund Olson, Director, Bureau of Workforce Transformation (**SIGNED**)

Subject: Fidelity Bonding Program (FBP) of Michigan

Programs

Affected: FBP

Rescissions: None

References: The Manpower Development and Training Act (MDTA) of 1962, as amended in 1965
The Training and Employment Service Program Letter of January 25, 1971.
The Workforce Investment Act of 1998 (29 U.S.C. 2801 et seq.)

Background: The FBP of Michigan mitigates risk for employers when hiring and reduces barriers to employment often faced by job seekers. The FBP of Michigan assists high-risk job seekers in obtaining employment by providing an incentive for employers to hire job seekers who are qualified, but may be considered high-risk. A fidelity bond is a business insurance policy that insures an employer against employee dishonesty including any type of theft, embezzlement, forgery, fraud, and larceny.

The Michigan Department of Energy, Labor & Economic Growth (DELEG)/BWT funds the FBP insurance coverage to employers through the appropriation of Wagner-Peyser Employment Service (ES) funds, enabling private and public, for-profit and non-profit employers to participate in the program.

This policy issuance outlines the FBP of Michigan, which is a coordinated approach between DELEG/BWT and the MWAs to issue fidelity bonds to

DELEG is an equal opportunity employer/program.
Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.

BUREAU OF WORKFORCE TRANSFORMATION
VICTOR OFFICE CENTER • 201 N. WASHINGTON SQUARE, 5TH FLOOR • LANSING, MICHIGAN 48913
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employers on behalf of job seekers whose personal background may make securing employment difficult.

Policy: As a condition of receiving Wagner-Peyser ES funds, each MWA must meet federal and state requirements, and follow the instructions in this policy issuance to successfully operate the FBP of Michigan. Federal law will supersede state law when state law conflicts with federal law that affects the FBP of Michigan.

The features of the Fidelity Bonding Program include:

- Free bonding for the first six months of employment
- Bonds available in the amounts of \$5,000 - \$25,000
- No deductible
- Easy application process
- Extended coverage available directly from the Traveler Property Casualty Insurance Company

The following employers may be eligible to participate in this program:

- For profit public sector employers
- For profit private sector employers
- Non-profit public sector employers
- Non-profit private sector employers

Requirements employers must meet to utilize the FBP of Michigan:

- Offer and guarantee full-time employment to high-risk job seekers, i.e., employment must be at least 30 hours or more per week for the first six months of employment.
- Pay wages to high-risk employees with automatic deductions for federal taxes.
- Provide a “Letter of Employment” on business letterhead that addresses the prerequisites from “The Fidelity Bonding Program Checklist.” (Refer to Attachment B.)

High-risk job seekers are classified as the following:

- People with poor credit histories
- Individuals lacking work experience
- Recovering substance abusers

- Ex-offenders
- Dishonorably discharged from military service
- Youth in apprenticeships
- Those who cannot be commercially bonded

The following individuals are not eligible to participate in this program:

- Independent Contractors (1099s)
- Entrepreneurs
- Self-Employed
- High-risk job seekers who are under the legal age of 18 years old
- Recovering substance abusers who have not completed their rehabilitation program mandated either by legal and/or medical authorities
- Employers who only offer part-time employment
- High-risk job seekers that can be commercially bonded

Guidelines to protecting the integrity of Fidelity Bonding:

- Issue bonds at no cost to the employer or job seeker.
- Transfer of issued bonds from one employer to another is not permitted.
- If a current bondee is displaced from employment at no fault of their own during the life of the bond by the employer, or leaves the job for positive reasons, the local MWA must determine if the job seeker is eligible to be bonded at a new job. If the determination is favorable, a new bond must be issued to the second employer for a six-month period (i.e., completion of a new FIDELITY BOND CERTIFICATION FORM.)
- Issuance of more than two separate bonds for the same bondee is not recommended.
- Cover as many placements as possible with any bond package, issuing only one bond unit per placement unless justified.

All classified high-risk job seekers listed above, except for ex-offenders, must contact a commercial bonder to inquire if they can be commercially bonded before applying for the FBP. They cannot use the FBP if they are commercially bondable regardless of cost.

Program Administration:

The FBP is a partnership between the United States Department of Labor (USDOL) and The McLaughlin Company, an insurance brokerage firm, as agent for Travelers Casualty and Surety Company of America. Federal management and direction for the FBP is provided by The McLaughlin Company in Washington, D.C., under contract with the USDOL's Employment and Training Administration.

The State of Michigan's administration of the FBP of Michigan is a coordinated approach between the state and the MWAs. The responsibilities of the MWAs and those of BWT are listed below.

MWA responsibilities include:

- Provide local administration of the FBP of Michigan in their service centers and other service areas as described in the Plan Narratives from the Employment Services (ES) plans.
- Provide Wagner-Peyser ES Fidelity Bonding Coordinators in their service centers and other service areas as described in the Plan Narratives from the ES plans.
- Provide local computer, local area network, and telecommunications installation, operations, and maintenance.
- Comply with all applicable policies and procedures.

BWT responsibilities include:

- Provide state administration of the FBP of Michigan by the State Fidelity Bonding Coordinator.
- Provide state and federal level accounting and reporting.
- Comply with all federal and state rules and regulations.

The duties of the Wagner-Peyser ES Fidelity Bonding Coordinators and the State Fidelity Bonding Coordinator are described below.

Wagner-Peyser ES Fidelity Bonding Coordinators' Duties:

- Inform and promote the FBP to all customers.

- Assist high-risk job seekers to become bonded through FBP.
- Determine which job seekers are eligible for the FBP and which ones are commercially bondable.
- Help employers understand the requirements that must be met to utilize the FBP.
- Make copies of the employer's Letter of Employment and the completed Fidelity Bond Certification Form (See Attachment C) once a high-risk job seeker has been approved for the FBP. Place these documents in a secured and locked location.
- Send the original Letter of Employment and the original completed Fidelity Bond Certification Form by mail to the State Fidelity Bonding Coordinator for review and submittal to the McLaughlin Company.
- Send the employer a "Letter To Employer Confirming Bonding" (See Attachment D). Make a copy of this document for the participant's file for future reference.
- Contact the State Fidelity Bonding Coordinator for assistance when needed.

State Fidelity Bonding Coordinator's Duties:

- Inform and promote the FBP to all customers.
- Train the Wagner-Peyser ES Fidelity Bonding Coordinators in the processing of Fidelity Bonds.
- Conduct FBP presentations and webinars to employers, agencies, service providers, department staff, MWAs, Community-Based Neighborhood Partnerships, and other institutions that request FBP presentations.
- Participate in job fairs and other events as needed.
- Maintain a database of all bonds issued.
- Update the federal FBP Director and the federal FBP Coordinator on any issues and/or other concerns with the administration of the program.
- Compile FBP reports and deliver to the State Fidelity Bonding Coordinator's manager.

- Account for the Fidelity Bonds that were purchased by the state versus the bonds that are available.
- Examine and review the employer's Letter of Employment and the completed Fidelity Bond Certification Form sent by the MWA to confirm that the documents were correctly completed.
- Contact the MWA Bonding Coordinator if deficiencies exist in the employer's Letter of Employment and/or the completed Fidelity Bond Certification Form and instruct the coordinator of the steps needed to correct the deficiencies.
- Issue and paste the correct number of bonding stamp(s) onto the Fidelity Bond Certification Form.
- Record the bond information into the FBP data base.
- Make copies of the completed Fidelity Bond Certification Form with the issued bonding stamp(s). Place these documents in a secured and locked location.
- Send the original completed Fidelity Bond Certification Form by mail to the McLaughlin Company in Washington, D.C.
- Respond to the Wagner-Peyser ES Fidelity Bonding Coordinators' requests with accuracy, promptness, and courtesy.
- Conduct on-site visits to ensure policy compliance and proper program operation.
- Execute other activities to make the FBP successful.

Action: An original signed Approval Request form must be submitted within 30 calendar days from the issue date of this policy issuance to:

Bureau of Workforce Transformation
Employer Engagement Section
Attn: Mr. Michael Prus, State Fidelity Bonding Coordinator
201 North Washington Square, 3rd Floor West
Victor Office Center
Lansing, Michigan 48913

Inquiries: Questions regarding this policy issuance should be directed to the State Fidelity Bonding Coordinator, Mr. Prus, by telephone at (517) 335-4316 or by e-mail at PrusM@michigan.gov.

In accordance with the Americans with Disabilities Act, information contained in this policy issuance will be made available in alternative format (large type, audio tapes, etc.) upon written requests received by this office. It is also available for transmission on the e-mail system. Call Ms. Pam Vance, at (517) 373-6234, for details.

Expiration: Continuing

LEO:AB:pv
Attachments

Approval Request Instructions

1. Michigan Works! Agency (MWA): Enter the name of the MWA.
2. MWA Number: Enter the number assigned to the MWA.
3. Plan Title: Enter the appropriate title(s) for the program being submitted.
4. Plan/Modification Number: Each plan number will begin with the calendar year and subsequent modifications will be the next in sequence from 01, i.e., 08-01, 08-02, etc.
5. Program Period: Identify the program period covered by this plan.

The required signatories are designated in accordance with the Michigan Department of Labor & Economic Growth/Office of Workforce Development PI 07-13, issued August 29, 2007. Signatures are required from the Workforce Development Board Chair and the Chief Elected Official(s).

APPROVAL REQUEST

1. Michigan Works! Agency (MWA):	2. MWA Number:
3. Plan Title(s): Fidelity Bonding Program—Inclusion of Non-Profit Organizations	
4. Plan/Modification Number:	5. Plan Period:

THE CHIEF ELECTED OFFICIAL (S) AND WORKFORCE DEVELOPMENT BOARD (WDB) HEREBY REQUEST APPROVAL OF THIS DOCUMENT

AUTHORIZED CHIEF ELECTED OFFICIAL	DATE
AUTHORIZED CHIEF ELECTED OFFICIAL	DATE
AUTHORIZED CHIEF ELECTED OFFICIAL	DATE
WDB CHAIRPERSON	DATE

OWD-166 (4/03)

The Michigan Department of Energy, Labor & Economic Growth, in compliance with applicable federal and state laws, does not discriminate in employment or in the provision of services based on race, color, religion, sex, national origin, age, disability, height, weight, genetic information, marital status, arrest without conviction, political affiliation or belief, and for beneficiaries only, citizenship or participation in any federally assisted program or activity.

THE FIDELITY BONDING PROGRAM CHECKLIST

These are the Requirements that Must Be Addressed on the Employer's Letterhead:

1. The name, address, city, state, and zip code of the job seeker. The job seeker must be of legal age in Michigan which is 18 years old or older.
2. The date that employment was offered.
3. Job title, rate of pay, and conditions of work, i.e., the job duties and responsibilities.
4. The statement **“that employment is conditional upon the worker receiving a Fidelity Bond.”** Must be verbatim, i.e., word-for-word. This statement Must Appear Exactly in the letter.
5. State the amount of bonding needed: \$5,000, \$10,000, \$15,000, \$20,000 or \$25,000.
6. Justification for amounts over \$5,000. Why is more Bonding required?
7. Must state that employment is full-time, i.e., 30 or more hours every week for at least six months. No independent contracting or self-employment allowed. Employer must take Federal Withholding Tax from the job seeker's wages.
8. The starting date on which employment will begin.
9. At the end of the letter, the original signature of the person who has the authority to hire the job seeker. Typed underneath the signature is the name and position of the hiring authority.

DELEG-BWT 100-150
(REVISED: 10/04/2010)

FOR INTERNAL USE ONLY

FIDELITY BOND CERTIFICATION FORM

(Definitions on pages 5 and 6)

MAIL TO: Bureau of Workforce Transformation
Employer Engagement Section
Mr. Michael Prus
State Fidelity Bonding Coordinator
201 North Washington Square, 3rd Floor
Victor Office Center
Lansing, MI 48913

PHONE INQUIRIES:
(517) 335 - 4316
-or-
1 - (888) 253 -6855

JOB PLACEMENT AGENCY

NAME: _____

ADDRESS: _____

CITY/STATE/ZIP: _____

EMPLOYER RECEIVING BOND

DATE AFFIRMED: ____/____/____
Month / Day / Year

COMPANY/AGENCY NAME: _____

CONTACT PERSON NAME: _____

ADDRESS: _____

CITY/STATE/ZIP: _____

WORKER COVERED BY BOND

LAST NAME: _____ FIRST NAME: _____

BOND EFFECTIVE DATE: ____/____/____ SOCIAL SECURITY#: ____/____/____
Month / Day / Year

BOND INSURANCE AMOUNT:

\$ 5, 10, 15, 20, or 25 K
Please circle a number

NEW _____
Please check

TOTAL AMOUNT:

\$ _____,000
Please enter a number

OFFICIAL BOND INSURANCE STAMP(S)

*Affix one stamp for each \$5,000 of bond insurance issued (e.g., minimum total bond issued is \$5,000 and requires only 1 stamp; maximum total bond is \$25,000 and requires 5 stamps).

SIGNATURE (JOB PLACEMENT STAFF)

(____) _____
Telephone Number

OPERATIONAL DEFINITIONS

MAIL TO: The completed FIDELITY BOND CERTIFICATION FORM is to be mailed to DELEG/BWT who will forward it to the McLaughlin Company, where it will be processed for the mailing of a Fidelity Bond to the employer who hired the bondee. The McLaughlin Company serves as agent for the Travelers Property Casualty in the issuance of this bond which is a Travelers Property Casualty insurance policy covering any employee dishonesty.

PHONE INQUIRES: Inquiries should be directed to the State Fidelity Bonding Coordinator at 1 (888) 253-6855 or (517) 335-4316.

JOB PLACEMENT AGENCY: This is the organization that purchases Fidelity Bond packages from The McLaughlin Company. The bonds are to be issued to employers, free-of-charge, as an incentive for the hiring of ex-offenders and other at-risk job applicants. These job hires must earn wages subject to automatic paycheck deductions for Federal taxes.

EMPLOYER RECEIVING BOND: DATE AFFIRMED: This is the date that the employer agreed (verbally) to hire a job applicant referred by the Job Placement agency on condition that a Fidelity Bond would be issued to the employer. This date cannot be later than the applicant's first day of work (see BOND EFFECTIVE DATE BELOW).

WORKER COVERED BY BOND: This is any individual who has a record of arrest, conviction or imprisonment (including anyone who has ever been on probation and/or released from jail or prison) or is otherwise considered "at-risk" due to any of the following circumstances: is an ex-addict (history of alcohol or drug abuse); has a poor financial credit history and/or ever declared personal bankruptcy; was discharged dishonorably from the military; is "economically disadvantaged" and lacks a work history; or for other reasons lacks personal credibility that is a barrier to employment which can be removed by issuance of a Fidelity Bond.

BOND EFFECTIVE DATE: This is the date scheduled by the employer as the first day of work for the job applicant. The bond insurance begins on that date and remains in effect for a six-month duration.

BOND INSURANCE AMOUNT: This is the dollar amount of insurance provided by the Fidelity Bond to protect the employer against any employee dishonesty. The TOTAL AMOUNT identified can be either \$5,000, \$10,000, \$15,000, \$20,000, or \$25,000 (no other amounts are acceptable; \$5,000 is the minimum bond amount; \$25,000 is the maximum). It should be noted that the bond issued has no deductible amount, therefore, the employer receives coverage for the full bond insurance.

OFFICIAL BOND INSURANCE STAMP(S): The organization that purchases Fidelity Bond packages from The McLaughlin Company are provided a set of stamps, one or more of which is to be affixed to each FIDELITY BOND CERTIFICATION FORM. The number of stamps provided is based upon the package size purchased (e.g., 25 stamps are provided for a 25 bond package), and each stamp represents one unit of bonding/\$5,000 insurance coverage for a six-month duration.

DELEG-BWT 100-150
(REVISED: 10/04/2010)

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These stamps are numbered sequentially so that The McLaughlin Company can automatically know which bond package purchaser has issued a bond and, thereby can readily inform the purchaser monthly on the total bond units debited and remaining in the purchaser's account. For each \$5,000 of insurance specified for BOND INSURANCE AMOUNT (see above), one stamp is to be affixed in the space at the bottom of the CERTIFICATION FORM (e.g., to issue a \$10,000 bond to the employer, two stamps are to be affixed to the FORM).

SIGNATURE: The form should be signed by a job placement staff member (or some other staff person designated by the bond package purchaser).

NOTE: The format of this form can be customized to the special needs of the purchaser.

SAMPLE LETTER TO EMPLOYER CONFIRMING BONDING

(Official Letterhead of Bond Issuance)

(date)

(contact name, title)

(employer name)

(address)

(city/state/zip)

Dear (contact name):

This is to confirm that a Fidelity Bond is being issued to your company to provide

(\$ amount of bond coverage) in employee dishonesty insurance coverage on:

(name of worker hired/bondee).

The effective date of the insurance is (date worker is scheduled to start work). The Bond expiration date is (date six months after effective date).

The bond insurance is a policy of Travelers Casualty and Surety Company of America.

Within the next 15 working days, you will receive a copy of the policy from the agent for the Fidelity Bond being issued – THE McLAUGHLIN COMPANY, 1725 DeSALES STREET, NW – Suite 700, WASHINGTON, DC, 20036.

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 Mr. Ron Rubbin. Also, please Contact your Bonding Coordinator.

We appreciate your interest and cooperation in dealing with our organization.

Sincerely,

(Signature of Bonding Coordinator)

Signature of Bonding Coordinator