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**Policy Issuance (PI): 10-29 Change 3**

**Date:** April 9, 2018

**To:** Michigan Works! Agency (MWA) Directors

**From:** Stephanie Beckhorn, Director **SIGNED**  
Workforce Development Agency

**Subject:** Fidelity Bonding Program (FBP) of Michigan

**Programs Affected:** FBP

**References:** The Workforce Innovation and Opportunity Act (WIOA) of 2014,  
Public Law 113-128 (29 U.S.C. Section 3101, *et. seq.*)  
  
The Wagner-Peyser Act of 1933, as amended by the WIOA of 2014

**Rescissions:** PI 10-29 Change 2

**Background:** The FBP mitigates risk for employers when hiring and reduces barriers to employment often faced by jobseekers. The FBP assists high-risk jobseekers in obtaining employment by providing an incentive for employers to hire jobseekers 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 theft, embezzlement, forgery, and larceny.

The Michigan Talent Investment Agency/ Workforce Development Agency (TIA/WDA) 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 outlines the FBP, which is a coordinated approach between the TIA/WDA and the MWAs to issue Fidelity Bonds to employers on behalf of jobseekers 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 to

successfully operate the FBP. Federal law will supersede state law when state law conflicts with federal law that affects the FBP.

The features of the FBP 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 Travelers Casualty and Surety Company of America for bonds issued under the FBP.

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 that employers must meet to utilize the FBP:

- Offer and guarantee full-time employment to high-risk jobseekers, 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.

High-risk jobseekers are classified as the following:

- People with poor credit histories including bankruptcies.
- Recovering substance abusers.
- Welfare assistance recipients.
- Ex-offenders.
- Dishonorably discharged from military service.
- Youth in apprenticeships.
- Those who cannot be commercially bonded.
- Economically disadvantaged youth and adults who lack a work history.

**Note:** The use of the term “economically disadvantaged” signifies a jobseeker that does not have employment to produce a supportable income. Under this term, the jobseeker could be in various stages of being economically disadvantaged ranging from being unemployed to underemployed. It is the employer who determines whether a jobseeker lacks a work history.

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

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

Guidelines for protecting the integrity of Fidelity Bonding:

- Issue bonds at no cost to the employer or jobseeker.
- Transfer of issued bonds from one employer to another is not permitted.
- Bondee cannot be bonded for the same position with the same employer more than once.
- If a current bondee is displaced from employment by 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 jobseeker 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 (Attachment B).
- 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. "Placement" refers to a person who has been placed into a job with the assistance of an institution such as a One-Stop career center.

All classified high-risk jobseekers 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 the cost.

### **Program Administration**

The FBP is a partnership between the U.S. Department of Labor (USDOL) and the Union Insurance Group (UIG) insurance brokerage firm, as agent for Travelers Casualty and Surety Company of America. Federal management and direction for the FBP are provided by the UIG in Chicago, IL, 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 the TIA/WDA are listed below.

The MWA responsibilities include:

- Provide local administration of the FBP of Michigan in their service centers and other service areas.
- Designate MWA Fidelity Bonding Coordinators in their service centers and other service areas.
- Provide in its entirety the name, location, address, city, state, ZIP Code, telephone number, facsimile number, email address, work schedule and times available to conduct bonding services of the MWA Fidelity Bonding Coordinators and the Alternate by completing the Local MWA Fidelity Bonding Coordinator Contacts form (Attachment A) for the beginning of every Program Year.
- **Notify immediately** the State Fidelity Bonding Coordinator when there is an elimination or change of the MWA Fidelity Bonding Coordinator's name, location, address, city, state, ZIP Code, telephone number, facsimile number, email address, work schedule, and times available.
- Provide local computer, local area network, and telecommunications installation, operations, and maintenance.
- Comply with all applicable policies and procedures.

The TIA/WDA 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 MWA Fidelity Bonding Coordinators and the State Fidelity Bonding Coordinator are described below.

The MWA Fidelity Bonding Coordinators' duties include:

- Inform and promote the FBP to all customers.
- Collaborate with Business Solution Professionals to promote FBP to employers.
- Assist high-risk jobseekers to become bonded through FBP.
- Determine if jobseekers are eligible for the FBP.

- Educate employers on the requirements that must be met to utilize the FBP (Attachment F).
- Provide Employer Fidelity Bond Application, either electronic version (Attachment D) or paper copy (Attachment E), to employers upon request.
- Upon receiving the Employer Fidelity Bond Application, contact the employee for their Social Security Number.
- Complete the Fidelity Bond Certification Form (Attachment B) with information from the employee and the Employer Fidelity Bond Application.
- Make copies of the Employer Fidelity Bond Application and the completed Fidelity Bond Certification Form. Place these documents in a secure and locked location.
- Email a copy of the Employer Fidelity Bond Application once completed, (whether it is Attachment D or Attachment E), to the State Fidelity Bonding Coordinator, Mr. Michael Prus at [PrusM@michigan.gov](mailto:PrusM@michigan.gov).
- Send the original completed Fidelity Bond Certification Form by U.S. Mail to the State Fidelity Bonding Coordinator.
- Send the employer (Attachment C) "Letter to Employer Confirming Bonding." Make a copy of this document for the participant's file for future reference.
- Participate in a quarterly conference phone call with State Fidelity Bonding Coordinator and other MWA Fidelity Bonding Coordinators to discuss best practices.
- Monitor bondee maintained employment for six months. If bondee terminates employment, then bondee cannot be bonded in Michigan again.
- List of those who cannot be bonded again is to be sent to State Fidelity Bonding Coordinator.
- Contact the State Fidelity Bonding Coordinator for assistance when needed.

The State Fidelity Bonding Coordinator's duties include:

- Inform and promote the FBP to all customers.
- Train the MWA Fidelity Bonding Coordinators in the processing of Fidelity Bonds as needed.
- Conduct FBP presentations and webinars for employers, agencies, service providers, department staff, MWAs, community-based neighborhood partnerships, and other institutions.
- Participate in job fairs and other events.

- Maintain a database of all bonds issued.
- Update the federal FBP director and the federal FBP coordinator on any issues 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 completed Fidelity Bond Certification Form sent by the MWA to confirm that the documents were correctly completed.
- Contact the MWA Bonding Coordinator if errors exist in the completed Fidelity Bond Certification Form and instruct the coordinator of the steps needed to correct the errors.
- Issue the correct number of bonding stamp(s) onto the Fidelity Bond Certification Form.
- Record the bond information into the FBP database.
- Make copies of the completed Fidelity Bond Certification Form with the issued bonding stamp(s). Place these documents in a secure and locked location.
- Send the original completed Fidelity Bond Certification Form by mail to the UIG in Chicago, IL.
- Respond to the MWA Fidelity Bonding Coordinators' requests with accuracy, promptness, and courtesy.
- Conduct on-site visits to ensure policy compliance and proper program operation.
- Maintain statewide list of bondees who cannot be bonded again due to terminating his or her employment within the first six months.

**Action:** The attached form, Local MWA Fidelity Bonding Coordinator Contacts (Attachment A), must be submitted by email within 30 calendar days from the issue date of this policy to Mr. Michael Prus at [PrusM@michigan.gov](mailto:PrusM@michigan.gov).

**Inquiries:** Questions regarding this policy should be directed to the State Fidelity Bonding Coordinator, Mr. Michael Prus, by telephone at 517-335-4316 or by email at [PrusM@michigan.gov](mailto:PrusM@michigan.gov).

The information contained in this policy will be made available in alternative formats (large type, audio tape, etc.) upon request to this office. Please contact Ms. Teresa Keyton via phone at 517-335-5858 or via email at [keytont@michigan.gov](mailto:keytont@michigan.gov) for details.

**Expiration Date:** Continuing

SB:MP:pv

**LOCAL MWA FIDELITY BONDING COORDINATOR CONTACTS**

**Michigan Works! Agency (MWA):** \_\_\_\_\_

**Program Year:** \_\_\_\_\_

**Program Title:** Fidelity Bonding Program (FBP) of Michigan

**Policy Issuance (PI) Number:** 10-29, Change 3

Name of Fidelity Bonding Coordinator	Name of Alternate If none, enter: N/A	Name of Location: Address: City, State, and ZIP Code:	Telephone Number: Facsimile (Fax) Number: Email Address:	Days Available: (M-F)	Time Available:

The Michigan Talent Investment Agency, 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.

1. Michigan Works! Agency (MWA): Enter the name of the MWA.
2. Program Year: Enter the appropriate program year.
3. Program Title: Enter the appropriate title for the plan being submitted.  
"Fidelity Bonding Program (FBP) of Michigan" has been pre-printed.
4. Policy Issuance (PI) Number: Enter the appropriate PI number.  
"10-29, Change 3" has been pre-printed.
5. Name of Fidelity Bonding Coordinator: Enter the name of the MWA's Fidelity Bonding Coordinator in this column.
6. Name of Alternate: Enter the name of the Alternate for the MWA Fidelity Bonding Coordinator who will be conducting Fidelity Bonding services when the MWA Fidelity Bonding Coordinator is out of the office. If there is no Alternate for the MWA Fidelity Bonding Coordinator available, then place "N/A" in this column.
7. Name of Location:  
Address: City, State, and ZIP Code: Enter the Name, Address, City, State, and ZIP Code of the location where the MWA Fidelity Bonding Coordinator's workstation is located in this column.

If the MWA Fidelity Bonding Coordinator has an outreach location in addition to their main workstation location where Fidelity Bonding services will be conducted, then the Name, Address, City, State, and ZIP Code of the outreach location must also be listed. All outreach location information must be listed.

8. Telephone Number:  
Facsimile (Fax) Number: Enter the Telephone Number and the Facsimile Number of the MWA Fidelity Bonding Coordinator's workstation location and all outreach locations.  
Email Address: Enter the Email Address of the MWA Fidelity Bonding Coordinator.
9. Days Available: Enter the days that the MWA Fidelity Bonding Coordinator will be available to conduct Fidelity Bonding services at the main workstation location and all outreach locations. Please use the following:

M - Monday  
T - Tuesday  
W - Wednesday  
Th - Thursday  
F - Friday

If the MWA Fidelity Bonding Coordinator is available for everyday of the work week, then use M-F.

10. Time Available: Enter the time that the MWA Fidelity Bonding Coordinator will be available to conduct Fidelity Bonding services at the main workstation location and all outreach locations.

Indicate hours by using the following numbers for Standard Time; i.e., 1, 2, 3, 4, etc.

Specify minutes by using the following numbers; i.e., :00, :15, :30, or :45.

Designate whether it is Morning by using "a.m." or Afternoon/Evening by using "p.m."

TIA 100-150  
(REVISED: 11/2015)

**FIDELITY BOND CERTIFICATION FORM**  
(See Page 2 for Operational Definitions)

**MAIL TO:**

Mr. Michael Prus, State Fidelity Bonding Coordinator  
201 North Washington Square, 5<sup>th</sup> Floor  
Victor Office Building  
Lansing, MI 48913  
517-335-4316

**JOB PLACEMENT AGENCY**

**NAME:** \_\_\_\_\_

**ADDRESS:** \_\_\_\_\_

**CITY/STATE/ZIP:** \_\_\_\_\_

**EMPLOYER RECEIVING BOND**

**DATE AFFIRMED:** \_\_\_\_ - \_\_\_\_ - \_\_\_\_  
Month-Day-Year

**COMPANY or 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

**TOTAL AMOUNT:**  
\$ \_\_\_\_\_  
**NEW** \_\_\_\_\_

**OFFICIAL BOND INSURANCE STAMP(S)**

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\*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)**  
**Print Name (Job Staff)** \_\_\_\_\_

\_\_\_\_\_  
**Area Code Telephone Number**

## OPERATIONAL DEFINITIONS

The completed FIDELITY BOND CERTIFICATION FORM is to be mailed to the **Michigan Talent Investment Agency** who will forward it to the Union Insurance Group (UIG), where it will be processed for the mailing of a Fidelity Bond to the employer who hired the bondee. The UIG serves as agent for the Travelers Casualty and Surety Company of America in the issuance of this bond that is a Travelers Casualty and Surety Company of America insurance policy covering any employee dishonesty.

**PHONE INQUIRES:** The phone number 517-335-4316 may be used.

**JOB PLACEMENT AGENCY:** This is the organization that purchased a Fidelity Bond package from the UIG. 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 purchased a Fidelity Bond package from the UIG was 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.

These stamps are numbered sequentially so that the UIG 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 and Title  
Employer Name  
Address  
City, State ZIP Code

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/bonded*).**

**The effective date of the insurance is (*date worker is scheduled to start work*). The Bond expiration date is (*date six months after the effective date*). The bond insurance is a policy of Travelers Insurance.**

**Within the next 15 working days, you will receive a copy of the policy from the agent for the Fidelity Bond being issued – Union Insurance Group (UIG).**

**Attention:  
The Federal Program  
303 West Erie Street, Suite 310  
Chicago, IL 60654.**

**In the event of a loss covered by the policy, you are to file a claim in writing directly with the UIG to the attention of Mr. Ron Rubbin.**

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

**Sincerely,**

(*Signature of MWA Bonding Coordinator*)

# Employer Fidelity Bond Application

Job Placement Agency

Name of Agency: Enter Name of Agency

Name of Bonding Coordinator: Enter Name of Bonding Coordinator

Email: Enter Bonding Coordinator's Email                      Phone Number: Enter Bonding Coordinator's Phone Number

Employer Information

Employer Name: Enter Employer Name              Contact Person: Enter Contact Person

Address, City, State, ZIP Code: Enter Address, City, State and Zip Code

Employee Information

First Name: Enter Employee's First Name                      Last Name: Enter Employee's Last name

Phone Number: Enter Employee's Phone Number

Address, City, State, ZIP Code: Enter Address, City, State and Zip Code

New Employee?               Yes               No

Job Title: Enter Employee's New Job Title

Job Duties and Responsibilities: Enter Job Duties and Responsibilities

## **Bond Insurance**

Bond Insurance Amount: Select Bond Amount

If bond is over \$5,000; Why is more bonding required? Enter justification for bonds over \$5,000

Employer Job Offer Date/Date Affirmed: Enter Date Affirmed

Employee Start Date/Bond Effective Date: Enter Bond Effective Date

By signing, Employer is stating employment is conditional upon the worker receiving a Fidelity Bond. The employment is full-time for at least six months and federal taxes will be automatically deducted from wages.

Name of person signing:

Enter name of person signing

Title: Enter title of person signing

X

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Signature of Employer  
Signer must have authority to hire



**THE FIDELITY BONDING PROGRAM CHECKLIST****These are the requirements that employers must verify to apply for the Fidelity Bonding Program:**

1.  The name, address, city, state, and ZIP Code of the jobseeker. The jobseeker 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 jobseeker’s wages.
8.  The starting date on which employment will begin.
9.  At the end of the application, the original signature of the person who has the authority to hire the jobseeker. Typed underneath the signature is the name and position of the hiring authority.