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**OFFICIAL**

E-mailed: 04/07/14 (cg)

**Workforce Development Agency (WDA)**  
**Policy Issuance (PI): 10-29, Change 1**

**Date:** April 7, 2014

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

**From:** Christine Quinn, Director, Workforce Development Agency  
**SIGNED**

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

**Programs Affected:** FBP

**Rescissions:** PI 10-29

**References:** The Workforce Investment Act (WIA) of 1998 (Title I, Part Subtitle D, Section 171, Public Law 105-220, 20 U.S.C. 9201), and WIA Regulations (29 U.S.C. 2801 et seq.)  
  
Job Training Partnership Act Title IV, Part D (29 U.S.C. 1731-1735)  
  
The Training and Employment Service Program Letter of January 25, 1971  
  
The Manpower Development and Training Act of 1962, as amended in 1965 (Public Law 87-415)

**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 theft, embezzlement, forgery, and larceny.



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The Workforce Development Agency (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 issuance outlines the FBP of Michigan, which is a coordinated approach between the

WDA and the MWAs to issue Fidelity Bonds to 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 Travelers Casualty and Surety Company of America; referred to hereafter as TRAVELERS for bonds issued under 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 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 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 lacks a work history

**Note:** The use of the term “economically disadvantaged” signifies a job seeker that does not have employment to produce a supportable income. Under this term, the job seeker could be in various stages of being economically disadvantaged ranging from being unemployed to underemployed. It is the employer who determines whether a job seeker lacks a work history. If this is a barrier for the job seeker who cannot be commercially bonded, then the job seeker may utilize the FBP provided all other program requirements have been met.

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. (Refer to Attachment C).
- 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 Rockville, Maryland 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 WDA are listed below.

MWA responsibilities include:

- Provide local administration of the FBP of Michigan in their service centers and other service areas.
- Designate Wagner-Peyser ES 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, e-mail address, days (Monday-Friday) and times available to conduct bonding services of the MWA Wagner-Peyser

Fidelity Bonding Coordinators and the Alternate by completing the Local MWA Fidelity Bonding Coordinator Contacts form. (See Attachment A)

- Provide local computer, local area network, and telecommunications installation, operations, and maintenance.
- Comply with all applicable policies and procedures.

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 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) The official form is available from the State Fidelity Bonding Coordinator named herein, 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 Rockville, Maryland.

- 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:** The attached form: Local MWA Fidelity Bonding Coordinator Contacts (see Attachment A) must be submitted within 30 calendar days from the issue date of this policy issuance to:

Workforce Development Agency  
Attn: Mr. Michael Prus, State Fidelity Bonding Coordinator  
201 North Washington Square, 3<sup>rd</sup> Floor East  
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 Mr. Prus at (517) 335-4316 for details.

**Expiration:** Continuing

CQ:AH:AB:mp  
Attachments

## LOCAL MWA FIDELITY BONDING COORDINATOR CONTACTS INSTRUCTIONS

### Identifying Information

1. Michigan Works! Agency (MWA): Enter the name of the MWA.
2. Program Year: Enter the appropriate program year.
3. Plan Title(s): Enter the appropriate title for the plan being submitted. “Fidelity Bonding Program (FBP) of Michigan” has been preprinted.
4. Policy Issuance (PI) Number: Enter the appropriate PI number. The “PI number” has been preprinted.
5. Name of Fidelity Bonding Coordinator: Enter the name of the MWA 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 work station is located in this column.  
If the MWA Fidelity Bonding Coordinator has an outreach location in addition to the work station 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 information must be listed.
8. Telephone Number:  
Facsimile (Fax) Number: Enter the Telephone Number and the Facsimile (Fax) Number of the MWA Fidelity Bonding Coordinator’s work station location and all outreach locations.  
E-mail Address: Enter the E-mail 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 work station location and all outreach locations. Please use the following:

M for Monday,

T for Tuesday,

W for Wednesday,

Th for Thursday, and

F for 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 work station location and all outreach locations.

Indicate hours by using the following numbers for Standard Time; i.e., 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, or 12.

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.”

**LOCAL MWA FIDELITY BONDING COORDINATOR CONTACTS**

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

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**Program Year (PY):** \_\_\_\_\_

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

**Policy Issuance (PI) Number:** 10-29, Change 1

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: E-mail Address:	Days Available: (M-F)	Time Available:

The Workforce Development Agency, State of Michigan, 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.

WDA 100-150  
(REVISED: 1/2014)

FOR INTERNAL USE ONLY

**FIDELITY BOND CERTIFICATION FORM**  
(See page 2 for operational definitions)

MAIL TO: Michael Prus  
State Fidelity Bonding Coordinator  
Workforce Development Agency-State of Michigan  
Victor Office Center  
201 N. Washington Square  
3rd Floor East  
Lansing, MI 48913

PHONE INQUIRIES:  
517-335-4316

**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:**

\$ 5k  \$10k  \$15k  \$20k  \$25k  
Please check an amount

NEW \_\_\_\_\_  
Please check

**TOTAL AMOUNT:**

\$ \_\_\_\_\_  
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)

(\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_  
Area Code Telephone Number

\_\_\_\_\_  
PRINT NAME (JOB PLACEMENT STAFF)

**Print**

*Fidelity Bond Certification Form - page 2*

### OPERATIONAL DEFINITIONS

**MAIL TO:** The completed FIDELITY BOND CERTIFICATION FORM is to be mailed to the **Workforce Development Agency-State of Michigan** 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 Casualty and Surety Company of America in the issuance of this bond which 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 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 purchased a Fidelity Bond package from The McLaughlin Company 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 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 Insurance . 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, 9210 Corporate Boulevard-Suite 250, Rockville MD 20850. 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.**

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

**Sincerely,**

*(Signature of MWA Bonding Coordinator)*