



INDIANA  
**WORKFORCE**  
DEVELOPMENT  
AND ITS **WorkOne** CENTERS

**FORMAL COMMUNICATION**

**TO: Indiana's Workforce Investment System**

**FROM: Leslie Crist**   
**Director of Strategic Initiatives**

**DATE: March 10, 2009**

**Technical Assistance Bulletin  
TAB 2008-07, **Change 1**  
The Indiana Department of Workforce Development's Federal Bonding Program**

***Purpose***

This Bulletin establishes the instructions and procedures for the appropriate use of Fidelity Bonds purchased by the Indiana Department of Workforce Development.

***Content***

The Federal Bonding Program (FBP) provides fidelity bonding insurance to employers for coverage of job applicants who are qualified for employment but who fail to secure jobs because regular commercial bonding is denied. Nationally, since 1966, about 40,000 applicants have obtained jobs due to being bonded through the FBP, and 99% have proven to be honest employees.

These bonds offer a unique tool to help a job applicant secure and retain a job when an employer cannot obtain commercial bonding for the applicant which is a condition of employment. A Fidelity Bond is used for the sole purpose of covering the liability of the employer against loss for an applicant who cannot otherwise be bonded through a private or commercial bonding agency.

Employees who handle money, goods, or valuable tools and equipment for sale are usually required to be bonded, and employers typically purchase Fidelity Bond insurance to cover any theft of money or property by their employees. However, insurance companies routinely refuse to cover employees who, for instance, have a record of arrest, conviction, probation, imprisonment, parole, drug or alcohol abuse, poor personal credit, or dishonorable military discharge.

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The importance of the FBP, as a job placement tool, is growing because of the increasing number of job applicants who are considered “high risk” by employers and not commercially bondable for any reason. By hiring an applicant eligible for the FBP, the employer receives, free of charge, Fidelity Bond insurance that provides protection against employee theft or dishonesty. Therefore, the FBP can be used by job developers to encourage employers to hire job applicants who are considered at risk and likely to be rejected for employment because of their background.

### **Instructions to Obtain a Fidelity Bond**

**The Requester of a Fidelity Bond can be the employer wishing to hire a candidate requiring a bond. A Requester can also be a service provider or another entity serving a client who may request fidelity bonding to help insure the most qualified candidate is hired. When an applicant is identified with the need for a Fidelity Bond, the employer and/or service provider will determine the eligibility of the individual and the employment provisions.**

### **Determining Applicant’s Eligibility**

The program will cover any person who is considered a “high-risk” by an employer. The job applicant may fall into any of the following categories:

- An ex-offender with a record of arrest, conviction or imprisonment;
- Has been on parole or probation, or has any police record;
- Recovering substance abuser (alcohol and/or drug abuse);
- Welfare recipient;
- Having a poor credit record or has declared bankruptcy;
- Dishonorably discharged from the military;
- Has had a series of different employers over a short period of time;
- Lacks a work history;
- Anyone who has already committed “a fraudulent or dishonest act” who is **NOT BONDABLE** through the commercial bonding agency used by the employer;
- A current employee who is **NOT BONDABLE** under the employer’s insurance and needs the program’s bonding in order to secure a promotion to a new job requiring bonding or to prevent being laid off;
- An individual not commercially bondable.

The applicant must have a firm offer of employment and bonding must be a reasonable requirement for the position.

### **Determining Employment Provisions Eligibility**

- The individual is qualified for the job being offered;
- The job can be full-time, part-time or temporary;
- The job offer has adequate working conditions and wage;
- The job offer has reasonable expectations of performance;
- The job is not self-employment;
- The employer is willing to accept the applicant who is not commercially bondable.

### **Procedures**

If both the worker and the job meet the eligibility standards above, and if both the worker and the employer agree to the hire, **the Requester** will prepare an original Fidelity Bond Certification Form on both sides to be submitted to the Indiana Federal Bonding Program Coordinator. A copy of the Certification should be retained by the **Requester**. A sample form is attached and instructions on how to complete the form follow.

**Instructions for Completing the Fidelity Bond Certification Form**

Operational definitions are provided on the back of the Certification form. To complete the form, use the instructions which follow for each area of the form.

**JOB PLACEMENT AGENCY**

Enter the purchasing entity.

**EMPLOYER RECEIVING BOND**

Enter the date the job offer was affirmed, name of the employer, the name of the contact person, the contact's phone number and address, **the Federal Employer Identification Number (FEIN) of the business**, and the North American Industry Classification System (NAICS) code.

**WORKER COVERED BY BOND**

Enter the first and last name of the person being bonded, the O\*Net Occupational Code of the job, the Bond Effective Date (first day of actual work for the person being bonded), and the last four (4) numbers of the person's social security number.

**BOND INSURANCE AMOUNT**

Indicate whether the bond is a NEW or a RENEWAL bond.

**TOTAL AMOUNT**

Show the amount of the bonding requested. This amount must be depicted in increments of \$5,000 with the lowest amount being \$5,000 and increasing incrementally in steps of \$5,000 to the maximum of \$25,000. Fidelity Bonds will be issued in multiples of "bonding units." A bonding unit is defined as \$5,000 in Fidelity Bond coverage for the person being bonded for six (6) months. As examples, to bond one person for \$5,000 for six (6) months requires one (1) "bonding unit" and to bond one person for \$10,000 for six (6) months requires two (2) "bonding units." The maximum amount allowable for bonding an individual is \$25,000 which is equal to five (5) bonding units for a period of six (6) months.

**SIGNATURE**

**The Requester** signs the form and lists his/her telephone number, organization name, address, city, state, and zip code.

**JUSTIFICATION FOR ISSUE OF BOND**

The justification (on the back of the Fidelity Bond Certification Form) is a brief statement explaining the situation which prevents commercial bonding or explains the need for a Fidelity Bond to secure the position for the applicant. The statement must include the frequency, seriousness and most recent occurrence of the situation that has created the barrier from commercial bonding. In the event the employer requests a bond amount in excess of \$10,000, a thorough explanation of the request for the increased amount will be required. This explanation should include the amount the employer commercially bonds other employees performing like or similar duties and with like or similar responsibilities. Include other pertinent information necessary to insure the issuance of the bond.

WorkOne staff will have the authority to commit to the employer to issue bonding units in the amount of \$5,000 (one bonding unit) and \$10,000 (two bonding units). The criteria used to make the determination on the number of bonding units required for the individual to secure a job will be made by the employer for bond coverage.

- If the employer, as a practice, covers employees doing like or similar work for an amount up to \$5,000, it would require one bonding unit to meet the requirements for bonding to secure the job for the individual.
- If the employer, as a practice, covers employees doing like or similar work for an amount between \$5,000 and \$10,000, it would require two bonding units to meet the requirements for bonding to secure the job for the individual.

The completed Fidelity Bond Certification Form must be sent to:

Attn: Karen S. Swain  
Indiana Federal Bonding Program Coordinator  
Indiana Department of Workforce Development  
10 North Senate Avenue, SE304  
Indianapolis, IN 46204  
**Telephone: 317.232.3623**  
**Fax: 317.233.6081**  
**E-mail: [KSwain@dwd.IN.gov](mailto:KSwain@dwd.IN.gov)**

NOTE: In the event there is a request for an amount above \$10,000, approval of the Indiana Federal Bonding Program Coordinator is required to secure the number of bonding units requested. The justification explaining the situation which prevents commercial bonding must include the need for the larger amount with the employer showing a liability that would justify the additional bonding units. The justification should also include the frequency, seriousness and most recent occurrence of the offences and the occupations or positions held by the person being bonded at the time of the offences. The maximum number of bonding units possible for issue is five (5) which is equal to \$25,000.

### **Formal Issuance of Bond**

The Fidelity Bonding Company will supply a copy of the bond to the employer. A written assurance of immediate coverage will be sent to the employer when the completed Fidelity Bond Certification Form is forwarded to the company supporting Fidelity Bonding.

Once a certification is issued, it will remain in force for a period of six (6) months or until the employment is terminated. This termination could be a layoff, voluntary quit, dislocation, or discharge resulting in a separation from the employer of record to exceed the six (6) month life of the bond calculated from date of issue. Fidelity Bonds are not transferable from one employer to another. The Fidelity Bond will not follow the individual from employer to employer in the event of a job change during the six (6) month life of the bond calculated from date of issue.

**Fidelity Bonding Available for Work Release Program**

The Fidelity Bonding Program may be used to bond inmates who are participating in a work-release program. Such a bond may be issued if there is reasonable expectation of employment with the involved employer following the inmate's release from a penal institution. The same procedures will be followed in obtaining a bond for a work-release inmate.

**Federal Bonding Program Guidelines on Conversion to Commercial Coverage**

The McLaughlin Company is assisting the Department of Workforce Development in its effort to continue job retention for persons who are bonded and who have demonstrated a sustained understanding of responsibility under the sponsorship of the Fidelity Bonding Program. If the person who is bonded is unable to obtain commercial bonding after 12 months of Fidelity Bond Coverage, the McLaughlin Company will arrange for standard coverage with an insurance company authorized to do business in Indiana upon receipt of an employer's request. This will be standard coverage at comparable commercial premium rates, and will be at the expense of the employer. These requests will be forwarded to the Indiana Federal Bonding Program Coordinator.

**Claims**

WorkOne offices need not and should not become involved unnecessarily with the claims process when an employee who was bonded defaults on an FBP bond other than by providing information to employers regarding claim procedures. Instructions for filing a claim will be presented to the employer with the steps to file a claim upon receipt of the bond.

**Attachments**

*Fidelity Bond Certification Form*

**Questions regarding this TAB should be directed to**

Karen S. Swain  
Indiana Federal Bonding Program Coordinator  
Indiana Department of Workforce Development  
10 North Senate Avenue, SE304  
Indianapolis, IN 46204  
Telephone: 317.232.3623  
Email: [KSwain@dwd.IN.gov](mailto:KSwain@dwd.IN.gov)

***Please note that previously issued Technical Assistance Bulletins can be reviewed on the Indiana Department of Workforce Development website at <http://www.in.gov/dwd/2554.htm>***



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**FIDELITY BOND CERTIFICATION FORM**

**JOB PLACEMENT AGENCY:** Indiana Department of Workforce Development  
10 North Senate Avenue  
Indianapolis, IN 46204

**EMPLOYER RECEIVING BOND:** **DATE AFFIRMED** \_\_\_/\_\_\_/\_\_\_

COMPANY/AGENCY NAME \_\_\_\_\_

CONTACT PERSON NAME \_\_\_\_\_ NAICS CODE \_\_\_\_\_

CONTACT PHONE NUMBER (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_ FEIN \_\_\_\_\_ - \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY/STATE/ZIP \_\_\_\_\_

**WORKER COVERED BY BOND** O\*NET OCCUPATIONAL CODE \_\_\_\_\_

LAST NAME \_\_\_\_\_ FIRST NAME \_\_\_\_\_

BOND EFFECTIVE DATE \_\_\_/\_\_\_/\_\_\_ SOCIAL SECURITY LAST FOUR # \_\_\_\_\_

**BOND INSURANCE AMOUNT** **TOTAL AMOUNT**

NEW \_\_\_\_\_ \$ \_\_\_\_\_,000

RENEWAL \_\_\_\_\_

\_\_\_\_\_, \$5,000, \$10,000, \$15,000, \$20,000 OR \$25,000

\_\_\_\_\_  
REQUESTER'S SIGNATURE (\_\_\_\_) \_\_\_\_\_ -  
TELEPHONE #

\_\_\_\_\_  
REQUESTER'S ORGANIZATION

\_\_\_\_\_  
ADDRESS/CITY/STATE/ZIP

**OFFICAL BOND INSURANCE STAMP (S)\***

**\*Affirm one stamp for each \$5,000 of bond insurance issues (e.g., minimum total bond issue is \$5,000 & requires only one (1) stamp and maximum is \$25,000 & requires five (5) stamps).**

\_\_\_\_\_  
SIGNATURE (Indiana Federal Bonding Program Coordinator) (\_\_\_\_) \_\_\_\_\_ -  
TELEPHONE #

**(Justification on back and additional pages can be attached)**

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**JUSTIFICATION FOR ISSUE OF BOND:** \_\_\_\_\_  
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**OPERATIONAL DEFINITIONS**

**EMPLOYER RECEIVING BOND and DATE AFFIRMED:** This is the date that the employer agreed (verbally) to hire a job applicant referred by the WorkOne Center 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), but can be the same day that the applicant is scheduled to start work.

**WORKER COVERED BY BOND:** This is any job applicant who an employer may consider “high-risk” due to being an ex-offender, including anyone with a record of arrest, conviction or imprisonment, and anyone who has ever been on probation or parole. Also, “high-risk” may include recovering substance abusers (alcohol and/or drug abuse), welfare recipients and other persons having a poor credit record or who have declared bankruptcy, economically disadvantaged who lack a work history and individuals who were dishonorably discharged from the military. Also, there may be other reasons the person lacks personal credibility which is a barrier to employment that 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 the 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 \$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 amount.

**NEW or RENEWAL:** This space is to be designated with a “check mark” whether the bond issues is NEW, i.e., first time a bond is being issued to the employer to cover the specific worker, or is a RENEWAL, i.e., a second six-months of free insurance is being issued to the employer covering the same worker.

**OFFICIAL BOND INSURANCE STAMP(S):** The organization that purchased a Fidelity Bond package for The McLaughlin Company was provided a set of stamps, one or more of which is to be affixed to each FIDELITY BOND CERTIFICATION FORM, whether now or at renewal. Each stamp represents one unit of bonding/\$5,000 insurance coverage for six-month duration.