



NEW YORK STATE WORKFORCE DEVELOPMENT SYSTEM TECHNICAL ADVISORY

Workforce Development System Technical Advisory #10-7.1

TO: Workforce Development Community

DATE: March 1, 2013

SUBJECT: The Federal Bonding Program

I. Purpose:

To increase awareness of the Federal Bonding Program throughout the entire Workforce Development Community.

II. Background:

In 1966, the United States Department of Labor created the Federal Bonding Program (FBP) as a unique job placement tool to assist at-risk job applicants. The general purpose of the program has not changed since 1966 – to provide fidelity bonding at no cost to an employer for the first six months of employment for hard-to-place job applicants. The New York State Department of Labor (NYSDOL) has been an active participant in this program for many years and will continue to promote the benefits of the FBP to all One-Stop Career Centers.

Highlights:

The FBP is considered to have a 99% success rate since historical data reveals only 1% of bondable job placements take actions that prove to be dishonest. The success rate of the program can be attributed to its many features and benefits, as highlighted below.

1. The FBP bond insurance reimburses the employer for any loss due to employee theft of money or property within the first six months of hire. This is a complete reimbursement, up to the amount of the bond coverage, in that there is no deductible amount to become the employer's liability (i.e., 100% bond insurance coverage).
 2. Employers receive the bonds free-of-charge as incentive to hire hard-to-place job applicants, who they might not otherwise consider, as wage earners.
 3. Bond insurance can apply to any job at any employer and covers any employee dishonesty committed on or away from the employer's work facility.
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4. Any full- or part-time employee paid wages (with Federal taxes automatically deducted from pay) can be bonded.
5. Self-employed persons cannot be covered under the FBP; however, persons hired by “temp agencies” for long term assignments six months or more in duration or for temporary-to-permanent positions can be bonded.
6. Bonds can also be issued to cover incumbent workers who need bonding to prevent being laid off or to secure transfer or promotion to a different job at their company.
7. The previous maximum allowable six-month coverage was \$10,000. Effective with the issuance of this advisory, the maximum six-month coverage is now \$25,000.

Target Populations:

All One-Stop Career Center staff should have an understanding of the target populations of adults and youth that may benefit from the FBP since job seekers who fall within any of these populations often are denied employment consideration due to their personal backgrounds. According to USDOL, the FBP covers any person who needs the coverage in order to get a job, including individuals in the following groups:

- Ex-offenders
- Recovering substance abusers (alcohol and/or drug abuse)
- Individuals with poor credit or who have declared bankruptcy
- Dishonorable military discharge
- Individuals with a lack of employment history
- Youth who have participated in any State- or local-operated summer or year-round youth program

Please note bonds can now be used to cover participants of any summer youth program operated by State and/or local government agencies as long as the participant meets the state’s minimum age requirement for employment and the employer automatically deducts federal payroll taxes.

The incentive to promote the FBP to employers and job seekers has never been greater since approximately 70% of employers are currently conducting background and/or credit checks on potential hires. In some cases, these background and/or credit checks result in otherwise qualified candidates being denied employment if a poor credit history is discovered. This practice is currently legal in New York State and nationwide as the Fair Credit Reporting Act permits employers to deny employment to qualified applicants based solely on a poor credit history.

III. Action:

The FBP service delivery has been streamlined to take only a few minutes time. The “user-friendly” characteristic of the FBP is reflected in its key operating features as follows:

- NO special application form for job seeker to complete
- NO bond approval processing
- NO papers for employer to submit or sign
- NO follow-up and NO termination actions required for bonds issued
- NO deductible in bond insurance amount if employee dishonesty occurs
- NO age requirements for bondee (other than legal working age in State)
- NO other U.S. program provides Fidelity Bond services
- NO federal regulations exist covering bonds issued

All One-Stop Career Center staff are encouraged to promote the benefits and user-friendly characteristics of the FBP. Only NYSDOL staff, however, can actually arrange for the issuance of a bond. Additional guidance follows:

1. For any bond request, there **MUST** be a job offer and a starting date before a bond can be issued. The Department cannot issue a bond unless an individual has a verified job offer and starting date. It will be necessary to have contact with the employer before a determination is made to issue a bond. Contact with the employer is made to verify–
 - job offer
 - start date
 - employer’s Federal Employment Identification Number (FEIN)
 - worker meets the legal age for working in New York State
 - worker will be paid wages with Federal taxes automatically deducted
 - job to be filled has the potential to last at least six months

The verification process as highlighted above can be executed by any One-Stop Career Center staff member (either NYSDOL or non-NYSDOL). If the verification process proves affirmative, and the individual qualifies under the FBP, only NYSDOL staff are permitted to process the bond request. Therefore, all non-NYSDOL staff are requested to gain the assistance of a NYSDOL staff person to complete the bond request.

2. The actual paperwork required to issue bonds is the responsibility of One-Stop Career Center NYSDOL staff. Attachment A contains instructions for NYSDOL staff regarding this process.

IV. Inquiries:

The FBP is a statewide administered program where numerous questions may arise concerning the routine operations of the FBP on any given day. In an effort to expedite general inquiries that cannot be answered at the local level, you are requested to contact the Local Bonding Coordinator assigned to your geographic area.

For a complete list of Local Bonding Coordinators with contact information, please visit the NYSDOL Federal Bonding Program website at:

<http://www.labor.ny.gov/businessservices/services/fbp.shtm>

In those instances where you are requested to contact the State Bonding Coordinator, please call (518) 485-2151 or email SpecialPopulations@labor.ny.gov.

V. References:

1. The Bond Fact Sheet (Publication P239) is available and should be on-hand at all One-Stop Career Centers as a reference sheet for answering the basic questions from staff, job seekers, employers, and One-Stop partners regarding the FBP. Publication P239 can be ordered on the BAFM system (by NYSDOL staff only) or by contacting the State Bonding Coordinator at (518) 485-2151.
2. Form ES699.3 “Federal Bonding Program Information” is available on the Department’s Intranet at <http://sdolintranet:81/forms/ES%20699.3.pdf>. This is a helpful fact sheet to be used when answering inquiries.
3. The Federal Bonding Program website (administered by the program agent, The McLaughlin Company) at <http://www.bonds4jobs.com/index.html>

VI. Attachments:

[Attachment A: Federal Bond Processing for NYSDOL Staff](#)

PAPERWORK ASSOCIATED WITH FEDERAL BOND PROCESSING

*(All staff of the One-Stop Career Center are encouraged to promote the Federal Bonding Program, however, the paperwork associated with processing the Federal Bond **must** only be completed by employees of the New York State Department of Labor. Please note minimal paperwork is associated with processing the Federal Bond.)*

Step One:

If the verification process determines that an individual qualifies under the FBP, a NYSDOL employee must confirm that a bond is available by calling the State Bonding Coordinator at (518) 485-2151. During this time you must indicate the amount of bond coverage you are seeking: \$5,000 - \$10,000 - \$15,000 - \$20,000 or \$25,000. The maximum six-month bond coverage allowable is \$25,000. You must provide justification, based on the prospective job duties, if your request exceeds \$5,000 in bond coverage.

Step Two:

Once the determination has been made to issue a bond, Form ES699, "Fidelity Bond Certification Form," must be completed and faxed to the State Bonding Coordinator at (518) 485-2577. This form can be found on the Department's Intranet at <http://sdolintranet:81/forms/es699.pdf>.

(Form ES699 is an internal form and should not be shared with job seekers, employers, or One-Stop partners.)

Step Three:

The State Bonding Coordinator will need to confirm the availability of bonds and complete an internal review process. Once the bonding application has been approved, the State Bonding Coordinator will notify you directly of the approval. After receiving notification of bonding approval, you should complete Form ES698, "Federal Bonding Coverage Confirmation," and send it to the employer to confirm bond insurance coverage. This form can be found on the Department's Intranet at <http://sdolintranet:81/forms/es698.pdf>.

(Form ES698 is an internal form and should not be shared with job seekers, employers, or One-Stop partners.)

Step Four:

Once the completed Form ES699 has been received by the State Bonding Coordinator, it will be processed in a timely manner and the necessary documentation will be forwarded to the McLaughlin Company*** in Rockville, MD. The actual bond policy is sent to the employer within 15 days of receipt by The McLaughlin Company.

***The McLaughlin Company is a national insurance brokerage firm serving as the exclusive agent for TRAVELERS which issues Fidelity Bonds nationwide under the FBP.
