

What is a Public Official Bond

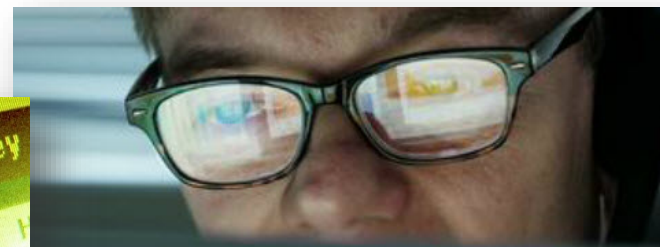
- Required of elected and appointed officials to guarantee their faithful performance of duties.
- Protects the public body and affords no protection to the official.
- Is a guarantee to those who may be damaged by the official's dishonesty or failure to perform duties faithfully.
- If the surety is required to make payment, the official is obligated to reimburse the surety.
- An official is liable for any loss or damage incurred resulting from failure to perform, not performing in a legal manner or performing wrongly including negligence, errors in judgment or failure to account for public monies even if failure is due to causes beyond official's control.
- Officials are liable for loss or damage caused by failure of their deputies, assistants, clerks, subordinates or other employees in their charge to perform their duties faithfully.

Internal Controls

- Public officials should be properly educated and have experience, especially those in money handling positions.
- Public officials need to understand their role and their duties and responsibilities. They should have a detailed job description.
- They need to know and follow the laws and statutes for their particular public entity.
- They need to have a clear understanding of their subordinates roles and responsibilities as well and closely monitor their duties.
- There needs to be separation of duties.

What is a Fidelity Bond?

- A form of insurance protection that covers policyholders for losses incurred as a result of the fraudulent acts of employees.



SPREADING TRICKERY OF UNLAWFUL BEHAVIOR
 DETECTOR
DISHONESTY
 DECEPTION CHEAT MISLEADING
 DISCOVER FRAUD DECEIVE
 FAKE TRICK

What is a Fidelity Bond?

- It is often referred to as 'employee dishonesty coverage', 'crime bond', 'crime policy' or 'crime coverage'. These are all the same coverage.
- Whichever term is used, crime policies are not surety bonds, they are insurance policies. However, losses may be recoverable.
- It covers 'employees' which is defined as any natural person while in the regular service of the insured who is compensated by salary, wages or commission whom the insured has the right to direct and control.
- Indemnification provision may provide bonded employees some protection from loss caused by one of their employees.
- Faithful performance of duty is not automatically provided and is added by Endorsement for an additional charge.

Faithful Performance of Duty

- Added by endorsement, this extension in coverage enhances the employee dishonesty insuring agreement by adding payment for loss or damage resulting directly from the failure of any employee to faithfully perform duties as prescribed by law.
- An official is liable for the faithful performance of their responsibilities and that of their deputies, assistants, clerks, subordinates or other employees in their charge.

Employee Dishonesty Exclusions

- Bonded Employee – loss caused by any employee required by law to be individually bonded.
- Treasurers/Tax Collectors – loss caused by a treasurer or tax collector by whatever name known.
- Indirect Loss (loss of income / payment of damages / costs, fees & expenses)
- Loss resulting from theft, etc. of confidential information.
- Inventory Shortages whose only proof is an inventory computation or profit and loss computation.

Internal Controls

- Are there internal audit procedures?
- Are bank accounts reconciled monthly by someone not authorized to deposit or withdraw?
- Is countersignature of checks required?
- Is documentation required for all checks to be signed?
- Are employees required to take regular vacations and are their duties then assumed by other employees?
- Is job rotation mandatory for employees who handle cash receipts and accounting duties?
- Are background checks performed on all employees?
- Do employees have outside business interests or other employment that might conflict with their job duties?

F.A.Q.'s

Do deputy treasurers need to be bonded also?

Bonds are required by statute or other type of charter. The attorney that represents the municipality is the best individual to advise on the requirements.

Do they need to sign a separate application for the bond?

Each individual requesting a bond will need to sign an application.

Does the cost of the bond increase by bonding the deputies?

There is a premium charge for each individual listed on the schedule bond based on their size of bond. Our minimum premium per person is \$50.

F.A.Q.'s

Explanation of the statement on one of the applications that states “I hereby waive any homestead or other exemption to which I may be entitled under the laws of any state of the United States of America.”

Prior to a bond being executed, the obligation is underwritten by the surety company – underwriting is a prequalification process. Our role is to determine whether the person seeking to be bonded is qualified for that purpose. Surety bonds differ from insurance policies in that with insurance, losses are expected. Surety companies operate on the principal that every bonded individual will perform as promised. In reality, we know that losses do occur. When a surety company pays a loss on a bond, we expect to be reimbursed in full by the bonded individual. The wording in the application that you reference, would allow Liberty to be reimbursed for any loss paid out from the assets of the tax collector including their home. In Michigan, approximately the first \$30,000 in value of a homestead may be claimed as exempt in a bankruptcy. Keep in mind, the Tax Collector book of business in Michigan has been virtually loss free, which is a big part of the reason the bond rate is so inexpensive. As long as the tax collector is honestly and faithfully performing their duties, there would be no claim against the bond, and no homestead clause to worry about. If there was a loss, and the surety paid out a claim to the county, we would look to be reimbursed from the individual that stole the funds. Most likely, our Claims Dept would try to set up a payment schedule for reimbursement, as opposed to taking someone’s house. Please keep in mind, that we revised our application, eliminating the homestead wording.



Liberty Mutual.
SURETY