



**APPALACHIAN
REGIONAL
COMMISSION**

*A Proud Past,
A New Vision*

Office of the Inspector General

March 20, 2003

MEMORANDUM FOR The Federal Co-Chairman
ARC Executive Director

SUBJECT: OIG Report 03-06—ARC Grant KY-14118-02,
Center for Information Technology Enterprise, Inc.,
Telecommunications Regional Initiative Project

Attached is a copy of the subject report. There are no outstanding recommendations due to the grantee's response (see attached letter, dated March 14, 2003). I recommend the project coordinator verify that actions promised by the grantee do, in fact, take place. Once verified, I would appreciate notification. I will provide any future correspondence from the grantee, including the promised documentation, to the Director of Program Operations.

Please contact me if you have any questions.

Clifford H. Jennings
Inspector General

Attachments

cc: Director, Program Operations

**MEMORANDUM REPORT ON REVIEW OF
CENTER FOR INFORMATION TECHNOLOGY ENTERPRISE, INC.
BOWLING GREEN, KENTUCKY**

TELECOMMUNICATIONS REGIONAL INITIATIVE PROJECT

ARC Grant Number: KY-14118-02

October 1, 2001 through December 31, 2002

Prepared By:

**Tichenor & Associates, LLP
Certified Public Accountants
304 Middletown Park Place, Suite C
Louisville, Kentucky 40243**

SCOPE: We performed a review of the grant as described in the Purpose above. Our review was based on the terms of the grant agreement and the application of certain review procedures in accordance with the ARC, OIG. Specifically, we determined if the tasks listed above had been performed, if the accountability over ARC funds was sufficient as required by the applicable Office of Management and Budget (OMB) Circulars, and if the Center for Information Technology Enterprise, Inc. was in compliance with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with the Center for Information Technology Enterprise, Inc. personnel. Our results and recommendations are based on these procedures. These review procedures were performed in accordance with applicable Governmental Auditing Standards.

RESULTS: The following results were based on our review performed at the Center for Information Technology Enterprise, Inc. in Bowling Green, Kentucky from February 4, 2003 through February 6, 2003.

A. Incurred Costs

The Center for Information Technology Enterprise, Inc. claimed total program costs of \$428,910 for the period of October 1, 2001 through December 31, 2002 of which they claimed direct reimbursable cost of \$249,994 and matching costs of \$178,916. We reviewed the direct and matching costs claimed and determined that, in general the funds were expended as reported and were used to determine internet usage and access problems in Appalachian Kentucky.

B. Program Results

Our review of the Center for Information Technology Enterprise, Inc, Telecommunications Regional Initiative Project indicated that the objectives of the grant are being met.

C. Other Comments

FINDING

1. The Center for Information Technology Enterprise, Inc. did not have written procurement procedures in place that would comply with OMB Circular A-110 Procurement Standards .40 through .48. As a non-profit entity the Center for Information Technology Enterprise, Inc. is covered by this Circular.

RECOMMENDATION

We recommend that the Center for Information Technology Enterprise, Inc. prepare written procurement procedures that will insure compliance with OMB Circular A-110 and provide a copy to ARC-OIG.

GRANTEE RESPONSE

Grantee stated that they agree with the recommendation and will prepare written procurement procedures and provide a copy to ARC-OIG.

FINDING

2. The Center for Information Technology Enterprise, Inc. did not have a written capitalization policy concerning equipment. The Center for Information Technology Enterprise, Inc. provided a depreciation schedule with items more than three hundred dollars capitalized, however we did find a computer that was expensed for over three thousand dollars.

RECOMMENDATION

We recommend that the Center for Information Technology Enterprise Inc. prepare a written capitalization policy that will comply with OMB Circulars A-110 and A-122 and provide a copy to ARC-OIG.

GRANTEE RESPONSE

Grantee stated that they agree with the recommendation and will prepare a written capitalization policy and provide a copy to ARC-OIG.

FINDING

3. Persons with position of financial responsibility are not bonded. Failure to bond these employees reduces the Center for Information Technology Enterprise, Inc.'s ability to safeguard its assets.

RECOMMENDATION

We recommend that the Center for Information Technology Enterprise, Inc. get the financial positions bonded as soon as possible and provide a copy to ARC-OIG.

GRANTEE RESPONSE

Grantee stated that they agree with the recommendation and will get the financial positions bonded as soon as possible and will provide ARC-OIG with a copy of the bonding policy.

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, Kentucky
February 6, 2003

Report
03-86
Folder

May 22, 2003



Mr. Clifford Jennings
Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, NW
Washington, DC 20009-1068

Re: ARC Grant Number KY-14118-02

Dear Mr. Jennings:

I wanted to drop you a note to update you on our progress with the resolution of the ARC audit findings CITE received in the Memorandum Report on Review on March 12, 2003. Included in the report were three findings which were as follows:

- 1) CITE did not have written procurement procedures in place in compliance with OMB Circular A-110.
- 2) CITE did not have a written capitalization policy concerning equipment.
- 3) CITE's financial employees are not bonded.

In response to the first two findings, we now have an Operating Policies and Procedures Manual that is awaiting Board approval. Our Board meeting on May 20, 2003, is in the process of being rescheduled for some time in June. The Operating Policies and Procedures Manual does address these findings and has already been approved by our Finance and Audit Committee. When this document has final Board approval, I will drop a copy in the mail to you.

All of our employees are now bonded for \$50,000. I am enclosing a copy of two documents that show this. Initially we bonded our employees for \$10,000 to put some bonding in place while I investigated the level of bonding that was necessary for our organization. We determined that \$50,000 would be sufficient coverage and our policy was increased to that level.

If you have any questions, or need additional information, please do not hesitate to contact me.

Kind regards,

Bernie Bogle, CPA
Director of Finance and Administration

Enclosures

cc Mr. Harry Roesch
Ms. Peggy Satterly
Dr. Linda Johnson

**CENTER FOR INFORMATION
TECHNOLOGY ENTERPRISE, INC.**

1711 Destiny Place, Suite 108
Bowling Green, KY 42104
Phone: 270.781.4320
Fax: 270.781.7611



Westfield Companies

One Park Circle PO Box 5001
Westfield Center OH 44251-5001

COMMERCIAL PACKAGE POLICY
AMENDED
COMMON POLICY DECLARATIONS

31

COMPANY PROVIDING COVERAGE

WESTFIELD INSURANCE COMPANY

NAMED INSURED AND MAILING ADDRESS

AGENCY

16-07108

PROD.

000

CENTER FOR INFORMATION
TECHNOLOGY ENTERPRISE INC
PO BOX 236
BOWLING GREEN KY 42102

CHAS. M. MOORE INS. AGENCY INC
P O BOX 7500
BOWLING GREEN KY 42102
TELEPHONE 270-843-9054

Policy Number: CWP 3 965 303

| 01 |

WIC Account Number: 1600923071

| A

Policy
Period

From 09/06/02
To 09/06/03

at 12:01 A.M. Standard Time at your
mailing address shown above.

*** Effective 04/10/03 this Common Policy declarations amends all prior
*** Common Policy declarations and endorses this policy as shown below. ***

Business: OFFICE

Named Insured is: Corporation

In return for the payment of the premium, and subject to all terms of this
policy, we agree with you to provide the insurance as stated in this policy.

THE COVERAGE PARTS BELOW HAVE BEEN ENDORSED AS FOLLOWS:

COMMERCIAL CRIME COVERAGE PART ENDORSEMENT Additional \$ 33.00

Additional Municipal Tax \$ 1.00
Additional State Surcharge \$ 0.49

Net Additional Premium \$ 34.49

CRIME COVERAGE PART ENDORSEMENT

1. CHANGED COVERAGE AT LOC 001 BLDG 001
- BOND OFFICERS AND EMPLOYEES COVERAGE
. LIMIT FROM \$10,000 TO \$50,000
. PREMIUM FROM \$81 TO \$162

** This endorsement changes your policy. Please
attach it to your original policy. **

Forms and Endorsements applicable to all coverage parts:

IL0019 0488 , IL0017 1198 , ID7004 0893 , IL0003 0498 , IL0263 0498 .

COUNTERSIGNED: _____

Date

BY _____

Authorized Representative



Westfield Companies

One Park Circle PO Box 5001
Westfield Center OH 44251-5001

COMMERCIAL PACKAGE POLICY
AMENDED
COMMON POLICY DECLARATIONS

COMPANY PROVIDING COVERAGE

WESTFIELD INSURANCE COMPANY

NAMED INSURED AND MAILING ADDRESS

AGENCY

16-07108

PROD.

000

CENTER FOR INFORMATION
TECHNOLOGY ENTERPRISE INC
PO BOX 236
BOWLING GREEN KY 42102

CHAS. M. MOORE INS. AGENCY INC
P O BOX 7500
BOWLING GREEN KY 42102
TELEPHONE 270-843-9054

Policy Number: CWP 3 965 303

|01|

WIC Account Number: 1600923071

| A

Policy From 09/06/02
Period To 09/06/03

at 12:01 A.M. Standard Time at your
mailing address shown above.

*** Effective 03/27/03 this Common Policy declarations amends all prior ***
*** Common Policy declarations and endorses this policy as shown below. ***

Business: OFFICE

Named Insured is: Corporation

In return for the payment of the premium, and subject to all terms of this
policy, we agree with you to provide the insurance as stated in this policy.

THE COVERAGE PARTS BELOW HAVE BEEN ENDORSED AS FOLLOWS:

COMMERCIAL CRIME COVERAGE PART ENDORSEMENT	Additional \$	36.00
Additional Municipal Tax	\$	1.00
Additional State Surcharge	\$	0.54
Net Additional Premium	\$	37.54

CRIME COVERAGE PART ENDORSEMENT

1. ADDED COVERAGE AT LOC 001 BLDG 001
 - OCCUPANCY IS OFFICE
 - ADDRESS IS
1711 DESTINY PLAZA STE 108
BOWLING GREEN KY 42104
 - STATE IS KENTUCKY
 - CRIME TERRITORY IS 999
 - CRIME CLASS IS 6500
 - CRIME PLAN IS 1
 - TAX LOCATION IS 0004
 - SAFE CLASS IS NA
 - ADDED BOND OFFICERS AND EMPLOYEES COVERAGE
 - . COVERAGE IS BLANKET
 - . LIMIT IS \$10,000
 - . DEDUCTIBLE IS \$500
 - . PREMIUM IS \$81

FORMS CHANGES

1. ADDED FORM CR1000 04/97
2. ADDED FORM CR7000 05/88
3. ADDED FORM CR7001 04/97
4. ADDED FORM CR0001 10/90



Westfield Companies

One Park Circle PO Box 5001
Westfield Center OH 44251-5001

COMMERCIAL PACKAGE POLICY
AMENDED
COMMON POLICY DECLARATIONS
(Continued)

COMPANY PROVIDING COVERAGE

WESTFIELD INSURANCE COMPANY

NAMED INSURED AND MAILING ADDRESS

AGENCY

16-07108

PROD.

000

CENTER FOR INFORMATION
TECHNOLOGY ENTERPRISE INC
PO BOX 236
BOWLING GREEN KY 42102

CHAS. M. MOORE INS. AGENCY INC
P O BOX 7500
BOWLING GREEN KY 42102
TELEPHONE 270-843-9054

Policy Number: CWP 3 965 303

| 01 |

WIC Account Number: 1600923071

| A

Policy From 09/06/02
Period To 09/06/03

at 12:01 A.M. Standard Time at your
mailing address shown above.

*** Effective 03/27/03 this Common Policy declarations amends all prior
*** Common Policy declarations and endorses this policy as shown below. ***

** This endorsement changes your policy. Please
attach it to your original policy. **

Forms and Endorsements applicable to all coverage parts:

IL0019 0488 , IL0017 1198 , ID7004 0893 , IL0003 0498 , IL0263 0498 .

COUNTERSIGNED: _____ Date _____ BY _____ Authorized Representative _____

This divider separates your policy into specific coverage parts. Please see the following Quick Reference Page for information on the applicable coverage.

Quick Reference
Commercial Crime Coverage Part

Read Your Policy Carefully

Declarations Forms

1. Named Insured
2. Mailing Address
3. Policy Period
4. Coverage, Limits of Insurance and Deductible
5. Endorsements Forming Part of This Policy When Issued

Common Policy Conditions

- A. Cancellation
- B. Changes
- C. Examination of Your Books and Records
- D. Inspections and Surveys
- E. Premiums
- F. Transfer of Your Rights and Duties Under This Policy

Crime General Provisions Form

- A. General Exclusions
 1. Acts Committed by You or Your Partners
 2. Governmental Action
 3. Indirect Loss
 4. Legal Expenses
 5. Nuclear
 6. War and Similar Actions
- B. General Conditions
 1. Concealment, Misrepresentation or Fraud
 2. Consolidation - Merger
 3. Coverage Extensions
 4. Duties in the Event of Loss
 5. Extended Period to Discover Loss
 6. Joint Insured
 7. Legal Action Against Us
 8. Liberalization
 9. Loss Covered Under More Than One Coverage of This Insurance
 10. Loss Sustained During Prior Insurance
 11. Loss Covered Under This Insurance and Prior Insurance Issued by Us or Any Affiliate
 12. Other Insurance
 13. Ownership of Property; Interests Covered
 14. Policy Period
 15. Records
 16. Recoveries
 17. Territory
 18. Transfer of Your Rights of Recovery Against Others to Us
 19. Valuation - Settlement
- C. General Definitions
 1. "Employee"
 2. "Money"
 3. "Property Other Than Money and Securities"
 4. "Securities"

Coverage Form(s)

Endorsements (If Applicable)



Westfield Companies

One Park Circle PO Box 5001
Westfield Center OH 44251-5001

AMENDED COMMERCIAL CRIME DECLARATIONS

COMPANY PROVIDING COVERAGE

WESTFIELD INSURANCE COMPANY

NAMED INSURED AND MAILING ADDRESS

AGENCY

16-07108

PROD.

000

CENTER FOR INFORMATION
TECHNOLOGY ENTERPRISE INC
PO BOX 236
BOWLING GREEN KY 42102

CHAS. M. MOORE INS. AGENCY INC
P O BOX 7500
BOWLING GREEN KY 42102
TELEPHONE 270-843-9054

Policy Number: CWP 3 965 303

|01|

WIC Account Number: 1600923071

| A

Policy Period From 09/06/02 To 09/06/03

at 12:01 A.M. Standard Time at your mailing address shown above.

*** Effective 03/27/03 this Commercial Crime declarations amends all prior ***
*** Commercial Crime declarations and endorses this policy as shown below. ***

DESCRIPTION OF PREMISES

Loc Bldg Street Address, City & State
001 001 1711 DESTINY PLAZA STE 108
BOWLING GREEN, KY 42104

Occupancy
OFFICE

Loc	Bldg	Plan	Form	Coverage	Limit of Insurance	Deductible
ALL	ALL	1	A	Employee Dishonesty	\$ 10,000	\$ 500

Total Advance Annual Crime Premium \$ 81.00

Forms and Endorsements applicable to this coverage part:
CR1000 0497*, CR7000 0588*, CR7001 0497*, CR0001 1090*.

CRIME GENERAL PROVISIONS (LOSS SUSTAINED FORM)

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is or is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

Words and phrases in quotation marks are defined in the policy.

Unless stated otherwise in any Crime Coverage Form, Declarations or endorsement, the following General Exclusions, General Conditions and General Definitions apply to all Crime Coverage Forms forming part of this policy.

A. GENERAL EXCLUSIONS

We will not pay for loss as specified below:

1. **Acts Committed by You or Your Partners:** Loss resulting from any dishonest or criminal act committed by you or any of your partners whether acting alone or in collusion with other persons.
2. **Governmental Action:** Loss resulting from seizure or destruction of property by order of governmental authority.
3. **Indirect Loss:** Loss that is an indirect result of any act or "occurrence" covered by this insurance including, but not limited to, loss resulting from:
 - a. Your inability to realize income that you would have realized had there been no loss of, or loss from damage to, Covered Property.
 - b. Payment of damages of any type for which you are legally liable. But, we will pay compensatory damages arising directly from a loss covered under this insurance.
 - c. Payment of costs, fees or other expenses you incur in establishing either the existence or the amount of loss under this insurance.
4. **Legal Expenses:** Expenses related to any legal action.
5. **Nuclear:** Loss resulting from nuclear reaction, nuclear radiation or radioactive contamination, or any related act or incident.
6. **War and Similar Actions:** Loss resulting from war, whether or not declared, warlike action, insurrection, rebellion or revolution, or any related act or incident.

B. GENERAL CONDITIONS

1. **Concealment, Misrepresentation or Fraud:** This insurance is void in any case of fraud by you as it relates to this insurance at any time. It is also void if you or any other Insured, at any time, intentionally conceal or misrepresent a material fact concerning:
 - a. This insurance;
 - b. The Covered Property;
 - c. Your interest in the Covered Property; or
 - d. A claim under this insurance.
2. **Consolidation - Merger:** If through consolidation or merger with, or purchase or acquisition of assets or liabilities of, some other entity:
 - a. Any additional persons become "employees;" or
 - b. You acquire the use and control of any additional "premises;"

any insurance afforded for "employees" or "premises" also applies to those additional "employees" or "premises," for a period of 60 days after the effective date of such consolidation, merger, or purchase or acquisition of assets or liabilities.

You must give us written notice within this 60 day period and obtain our written consent to extend this insurance to such additional "employees" or "premises". Upon obtaining our written consent, you must pay us an additional premium.

If you fail to notify us in writing within this 60 day period, then this insurance shall automatically terminate as to such additional "employees" or "premises".

3. **Coverage Extensions:** Unless stated otherwise in the Coverage Form, our liability under any Coverage Extension is part of, not in addition to, the Limit of Insurance applying to the Coverage or Coverage Section.
4. **Duties in the Event of Loss:** After you discover a loss or a situation that may result in loss of, or loss from damage to, Covered Property you must:
 - a. Notify us as soon as possible.
 - b. Submit to examination under oath at our request and give us a signed statement of your answers.
 - c. Give us a detailed, sworn proof of loss within 120 days.
 - d. Cooperate with us in the investigation and settlement of any claim.
5. **Extended Period to Discover Loss:** We will pay only for covered loss discovered no later than 1 year from the end of the Policy Period.
6. **Joint Insured:**
 - a. If more than one Insured is named in the Declarations, the first named Insured will act for itself and for every other Insured for all purposes of this insurance. If the first named Insured ceases to be covered, then the next named Insured will become the first named Insured.
 - b. If any Insured or partner or officer of that Insured has knowledge of any information relevant to this insurance, that knowledge is considered knowledge of every Insured.
 - c. An "employee" of any Insured is considered to be an "employee" of every Insured.
 - d. If this insurance or any of its coverages is cancelled or terminated as to any Insured, loss sustained by that Insured is covered only if discovered no later than 1 year from the date of that cancellation or termination.
 - e. We will not pay more for loss sustained by more than one Insured than the amount we would pay if all the loss had been sustained by one Insured.
7. **Legal Action Against Us:** You may not bring any legal action against us involving loss:
 - a. Unless you have complied with all the terms of this insurance; and
 - b. Until 90 days after you have filed proof of loss with us; and
 - c. Unless brought within 2 years from the date you discover the loss.
8. **Liberalization:** If we adopt any revision that would broaden the coverage under this insurance without additional premium within 45 days prior to or during the Policy Period, the broadened coverage will immediately apply to this insurance.
9. **Loss Covered Under More Than One Coverage of This Insurance:** If two or more coverages of this insurance apply to the same loss, we will pay the lesser of:
 - a. The actual amount of loss; or
 - b. The sum of the Limits of Insurance applicable to those coverages.
10. **Loss Sustained During Prior Insurance:**
 - a. If you, or any predecessor in interest, sustained loss during the period of any prior insurance that you or the predecessor in interest could have recovered under that insurance except that the time within which to discover loss had expired, we will pay for it under this insurance, provided:
 - (1) This insurance became effective at the time of cancellation or termination of the prior insurance; and
 - (2) The loss would have been covered by this insurance had it been in effect when the acts or events causing the loss were committed or occurred.
 - b. The insurance under this Condition is part of, not in addition to, the Limits of Insurance applying to this insurance and is limited to the lesser of the amount recoverable under:
 - (1) This insurance as of its effective date; or
 - (2) The prior insurance had it remained in effect.
11. **Loss Covered Under This Insurance and Prior Insurance Issued by Us or Any Affiliate:** If any loss is covered:
 - a. Partly by this insurance; and

- b. Partly by any prior cancelled or terminated insurance that we or any affiliate had issued to you or any predecessor in interest;

the most we will pay is the larger of the amount recoverable under this insurance or the prior insurance.

Regardless of the number of years this insurance remains in force or the number of premiums paid, no Limit of Insurance cumulates from year to year or period to period.

- 12. **Other Insurance:** This insurance does not apply to loss recoverable or recovered under other insurance or indemnity. However, if the limit of the other insurance or indemnity is insufficient to cover the entire amount of the loss, this insurance will apply to that part of the loss, other than that falling within any Deductible Amount, not recoverable or recovered under the other insurance or indemnity. However, this insurance will not apply to the amount of loss that is more than the applicable Limit of Insurance shown in the Declarations.
- 13. **Ownership of Property; Interests Covered:** The property covered under this insurance is limited to property:

- a. That you own or hold; or
- b. For which you are legally liable.

However, this insurance is for your benefit only. It provides no rights or benefits to any other person or organization.

14. Policy Period

- a. The Policy Period is shown in the Declarations.
- b. Subject to the Loss Sustained During Prior Insurance condition, we will pay only for loss that you sustain through acts committed or events occurring during the Policy Period.

- 15. **Records:** You must keep records of all Covered Property so we can verify the amount of any loss.

16. Recoveries

- a. Any recoveries, less the cost of obtaining them, made after settlement of loss covered by this insurance will be distributed as follows:
 - (1) To you, until you are reimbursed for any loss that you sustain that exceeds the Limit of Insurance and the Deductible Amount, if any;
 - (2) Then to us, until we are reimbursed for the settlement made;
 - (3) Then to you, until you are reimbursed for that part of the loss

equal to the Deductible Amount, if any.

- b. Recoveries do not include any recovery:

- (1) From insurance, suretyship, reinsurance, security or indemnity taken for our benefit; or
- (2) Of original "securities" after duplicates of them have been issued.

- 17. **Territory:** This insurance covers only acts committed or events occurring within the United States of America, U.S. Virgin Islands, Puerto Rico, Canal Zone, or Canada.

- 18. **Transfer of Your Rights of Recovery Against Others to Us:** You must transfer to us all your rights of recovery against any person or organization for any loss you sustained and for which we have paid or settled. You must also do everything necessary to secure those rights and do nothing after loss to impair them.

19. Valuation - Settlement

- a. Subject to the applicable Limit of Insurance provision we will pay for:

- (1) Loss of "money" but only up to and including its face value. We may, at our option, pay for loss of "money" issued by any country other than the United States of America:

- (a) At face value in the "money" issued by that country; or

- (b) In the United States of America dollar equivalent determined by the rate of exchange on the day the loss was discovered.

- (2) Loss of "securities" but only up to and including their value at the close of business on the day the loss was discovered. We may, at our option:

- (a) Pay the value of such "securities" or replace them in kind, in which event you must assign to us all your rights, title and interest in and to those "securities;" or

- (b) Pay the cost of any Lost Securities Bond required in connection with issuing duplicates of the "securities." However, we will be liable only for the payment of so much of the cost of the bond as would be charged for a bond having a penalty

not exceeding the lesser of the:

- i. Value of the "securities" at the close of business on the day the loss was discovered; or
 - ii. Limit of Insurance.
- (3) Loss of, or loss from damage to, "property other than money and securities" or loss from damage to the "premises" for not more than the:
- (a) Actual cash value of the property on the day the loss was discovered;
 - (b) Cost of repairing the property or "premises;" or
 - (c) Cost of replacing the property with property of like kind and quality.

We may, at our option, pay the actual cash value of the property or repair or replace it.

If we cannot agree with you upon the actual cash value or the cost of repair or replacement, the value or cost will be determined by arbitration.

- b. We may, at our option, pay for loss of, or loss from damage to, property other than "money:"
- (1) In the "money" of the country in which the loss occurred; or
 - (2) In the United States of America dollar equivalent of the "money" of the country in which the loss occurred determined by the rate of exchange on the day the loss was discovered.
- c. Any property that we pay for or replace becomes our property.

C. GENERAL DEFINITIONS

1. "Employee" means:

- a. Any natural person:
 - (1) While in your service (and for 30 days after termination of service); and
 - (2) Whom you compensate directly by salary, wages or commissions; and
 - (3) Whom you have the right to direct and control while performing services for you; or

b. Any natural person who is furnished to you to:

- (1) Substitute for a permanent "employee" on leave, or
- (2) Meet seasonal or short-term workload conditions;

While that person is subject to your direction and control and performing services for you, excluding, however, any such person while having care and custody of property outside the "premises".

But "employee" does not mean any:

- (1) Agent, broker, person leased to you by a labor leasing firm, factor, commission merchant, consignee, independent contractor or representative of the same general character, or
- (2) Director or trustee except while performing acts coming within the scope of the usual duties of an employee.

2. "Money" means:

- a. Currency, coins and bank notes in current use and having a face value; and
- b. Travelers checks, register checks and money orders held for sale to the public.

3. "Property Other Than Money and Securities" means any tangible property other than "money" and "securities" that has intrinsic value but does not include any property listed in any Crime Coverage Form as Property Not Covered.

4. "Securities" means negotiable and non-negotiable instruments or contracts representing either "money" or other property and includes:

- a. Tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and
- b. Evidences of debt issued in connection with credit or charge cards, which cards are not issued by you;

but does not include "money."

EMPLOYEE DISHONESTY COVERAGE FORM

A. COVERAGE

We will pay for loss of, and loss from damage to, Covered Property resulting directly from the Covered Cause of Loss.

1. **Covered Property:** "Money", "securities", and "property other than money and securities".
2. **Covered Cause of Loss:** "Employee dishonesty".
3. **Coverage Extension:**

Employees Temporarily Outside Coverage Territory: We will pay for loss caused by any "employee" while temporarily outside the territory specified in the Territory General Condition for a period not more than 90 days.

B. LIMIT OF INSURANCE

The most we will pay for loss in any one "occurrence" is the applicable Limit of Insurance shown in the Declarations.

C. DEDUCTIBLE

1. We will not pay for loss in any one "occurrence" unless the amount of loss exceeds the Deductible Amount shown in the Declarations. We will then pay the amount of loss in excess of the Deductible Amount, up to the Limit of Insurance.
2. You must:
 - a. Give us notice as soon as possible of any loss of the type insured under this Coverage Form even though it falls entirely within the Deductible Amount.
 - b. Upon our request, give us a statement describing the loss.

D. ADDITIONAL EXCLUSIONS, CONDITION AND DEFINITIONS:

In addition to the provisions in the Crime General Provisions Form, this Coverage Form is subject to the following:

1. **Additional Exclusions:** We will not pay for loss as specified below:
 - a. **Employee Cancelled Under Prior Insurance:** loss caused by any "employee" of yours, or predecessor in interest of yours, for whom similar prior insurance has been cancelled and not reinstated since the last such cancellation.

- b. **Inventory Shortages:** loss, or that part of any loss, the proof of which as to its existence or amount is dependent upon:

- (1) An inventory computation; or
- (2) A profit and loss computation.

2. Additional Condition

Cancellation As To Any Employee: This insurance is cancelled as to any "employee":

- a. Immediately upon discovery by:

- (1) You; or
- (2) Any of your partners, officers or directors not in collusion with the "employee";

of any dishonest act committed by that "employee" whether before or after becoming employed by you.

- b. On the date specified in a notice mailed to you. That date will be at least 30 days after the date of mailing.

The mailing of notice to you at the last mailing address known to us will be sufficient proof of notice. Delivery of notice is the same as mailing.

3. Additional Definitions

- a. **"Employee Dishonesty"** in paragraph A.2. means only dishonest acts committed by an "employee", whether identified or not, acting alone or in collusion with other persons, except you or a partner, with the manifest intent to:

- (1) Cause you to sustain loss; and also

- (2) Obtain financial benefit (other than employee benefits earned in the normal course of employment, including: salaries, commissions, fees, bonuses, promotions, awards, profit sharing or pensions) for:

- (a) The "employee"; or

- (b) Any person or organization intended by the "employee" to receive that benefit.

- b. **"Occurrence"** means all loss caused by, or involving, one or more "employees", whether the result of a single act or series of acts.