

[West's Arkansas Code Annotated](#)

[Title 21. Public Officers and Employees](#)

[Chapter 2. Commission, Oath, and Bond \(Refs & Annos\)](#)

[Subchapter 7. Self-Insured Fidelity Bond Program \(Refs & Annos\)](#)

A.C.A. § 21-2-704

§ 21-2-704. Program establishment--Coverage

Effective: August 1, 2023

[Currentness](#)

(a) There is established the Self-Insured Fidelity Bond Program for the State of Arkansas and the counties, municipalities, and school districts of this state, to be administered by the Governmental Bonding Board.

(b)(1) The fidelity bond coverage provided by the program shall cover direct pecuniary losses sustained by a participating governmental entity only when the loss is sustained through any fraudulent or dishonest act or acts committed by any official or employee of the participating governmental entity acting alone or in collusion with another, during the bond period to an amount not exceeding the lesser of three hundred thousand dollars (\$300,000) or the amount of the bond.

(2) Coverage for loss of property other than money and securities, the loss of which is caused by theft or by a dishonest or fraudulent act or acts, shall be limited to the actual cash value of the property on the day the loss was discovered.

(3) No coverage shall be provided for any claim in which a participating governmental entity through fraudulent means takes money or other property from another participating governmental entity.

(c) This coverage shall not include compensatory, punitive, or exemplary damages, and no interest or penalty amounts shall accrue on a bond claim made pursuant to this subchapter including, but not limited to, investigative expenses, legal fees, or court costs.

(d) The fidelity bond coverage provided by the program shall not cover a loss sustained by a participating governmental entity as a result of:

(1) Liability imposed upon or assumed by the participating governmental entity to exonerate or indemnify an official or employee from or against liability incurred by the official or employee in the performance of duties;

(2) Damages for which the participating governmental entity is legally liable as a result of:

(A) The deprivation or violation of a civil right of any person by an official or employee; or

(B) The tortious conduct of an official or employee, except conversion of property of another party held by the participating governmental entity in any capacity; or

(3) Loss of property other than money and securities unless the participating governmental entity or Arkansas Legislative Audit shall be able to designate the specific official or employee causing such loss.

(e) Fidelity bond coverage shall not cover a loss sustained by any party other than a participating governmental entity.

(f) Except as provided in subdivision (d)(3) of this section, in case of a loss alleged to have been caused to a participating governmental entity through any fraudulent or dishonest act or acts by an official or employee covered under the fidelity bond coverage afforded under the provisions of this subchapter, when the participating governmental entity or Arkansas Legislative Audit shall be unable to designate the specific official or employee causing the loss, the participating governmental entity shall nevertheless have the benefit of fidelity bond coverage.

(g)(1) For valid coverage under the program, each participating governmental entity, including each segment or component of the participating governmental entity for which coverage is available under the program, shall procure an audit of its books and records for each fiscal year.

(2)(A) If a participating governmental entity, or covered segment or component of the participating governmental entity, is not audited by Arkansas Legislative Audit, the participating governmental entity, or covered segment or component of the participating governmental entity, shall procure an audit of its books and records by accountants in good standing with the Arkansas State Board of Public Accountancy in accordance with government auditing standards issued by the Comptroller General of the United States.

(B) The audit must be completed within eighteen (18) months of the close of each participating governmental entity's fiscal year.

(3) All audit reports revealing or disclosing unauthorized expenditures, asset shortages, or unaccounted-for funds shall be forwarded immediately upon completion to Arkansas Legislative Audit, the State Risk Manager, and the appropriate prosecuting attorney.

Credits

Acts of 1987, Act 728, §§ 3 to 5; [Acts of 1993, Act 319, § 2](#); [Acts of 1995, Act 339, § 1, eff. Feb. 16, 1995](#); [Acts of 2001, Act 1383, § 1, eff. Aug. 13, 2001](#); [Acts of 2005, Act 506, § 2, eff. March 2, 2005](#); [Acts of 2007, Act 425, § 1, eff. July 31, 2007](#); [Acts of 2021, Act 367, § 4, eff. July 28, 2021](#); [Acts of 2023, Act 826, § 4, eff. Aug. 1, 2023](#).

A.C.A. § 21-2-704, AR ST § 21-2-704

The constitution and statutes are current through acts of the 2023 Regular Session of the 94th Arkansas General Assembly effective August 1, 2023. Some statute sections may be more current; see credits for details. Also included are changes made by the Arkansas Code Revision Commission received through July 26, 2023.