

BOARD OF ALDERMEN

ITEM NO. C(11)

AGENDA ITEM ABSTRACT

MEETING DATE: April 7, 2009

TITLE: Identity Theft/Red Flag Rules Policy and Procedures

DEPARTMENT: Management Services	PUBLIC HEARING: YES or NO XX
ATTACHMENTS: A. Resolution B. Identity Theft/Red Flag Rules Policy and Procedures	FOR INFORMATION CONTACT: Nancy Emslie, Accounting Officer, 918-7306

PURPOSE

The purpose of this policy is to identify programs and services (accounts) where information is collected by the Town from citizens in a “creditor” relationship, determine whether such information is maintained in “covered accounts” containing customer “identifying information” per federal regulations, and establish procedures for the security of such information if necessary. Town staff recommends that the Board of Aldermen adopt the attached resolution.

INFORMATION

In 2003, Congress passed the Fair and Accurate Credit Transactions Act (FACT Act) to address the increasing problems with identity theft and misuse of personal information of consumers. In November 2007, the final rules (known as the Red Flag Rules) and guidelines were issued to implement the FACT Act with an effective date of January 1, 2008 and with full compliance required by November 1, 2008. In October 2008 the Federal Trade Commission (FTC) suspended mandatory enforcement of the new “Red Flag Rule” until May 1, 2009 to give financial institutions and creditors additional time to develop and implement written identity theft prevention programs.

The regulations, known as the identity theft “red flag” rules, require the entities they cover to develop policies and procedures to recognize and respond to circumstances that may indicate identity theft has occurred for both new and existing accounts. The new set of regulations is intended to help prevent, detect, and respond to possible signals (red flags) to mitigate identity theft.

The rules apply to financial institutions and creditors (a term that is defined to include any government agency that “regularly extends, renews, or continues credit”) who establish or maintain covered accounts containing customer identifying information as defined by the FACT Act of 2003. These rules also apply to local governments when they provide a service for which payment is deferred until a future date.

A complete assessment of the Town’s accounts revealed that the Town is considered a “creditor” and does maintain “covered accounts” for its Revolving Loan Program and for Recreation and Park fees collected.. The Town will implement procedures applicable in this policy to help ensure the confidentiality of financial transactions associated with these types of activities.

FISCAL IMPACT

None

RECOMMENDATION

Town staff recommends that the Board of Aldermen adopt the attached resolution so that the Town of Carrboro will be in compliance of federally mandated Identify Theft/Red Flag regulations to have in place written procedures that help protect consumer identity and mitigate theft of customer account information.