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### **Red Flag Federal Legislation - *What Must Municipalities Know?***

The Red Flag Rule is yet another unfunded federal mandate. The rule was created by the Federal Trade Commission to combat identity theft. Essentially, it applies to all organizations that maintain accounts for their consumer customers where the accounts are designed to be for multiple transactions – monthly or quarterly billings. As such, municipalities that bill for such things as garbage, water, sewer, or electricity are just such organizations that must comply.

#### ***So what must be done?***

The general requirements are that municipalities that have such accounts must comply with the Rule and implement a program that will sufficiently safeguard customer information received and maintained by the community. Having a written Identity Theft Prevention Program that is designed to detect the early warning signs - "red flags," - of identity theft is the technical requirement of the rule.

A Theft Prevention Program must include policies and procedures for identifying risks or suspicious activity and a plan of action setting out how the municipality will respond if a "red flag" event occurs. The rule requires organizations to periodically review their programs to guard against new risks that may arise.

Finally, those organizations who knowingly fail to comply with the rule are subject to civil penalties of up to \$2,500 per violation.

If you or your municipal attorney would like a sample of a Theft Prevention Program please email your request here. [info@municipalconsultant.com](mailto:info@municipalconsultant.com)

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