


RECOMMENDATION

It is recommended that the City Council:

- Approve the attached Resolution adopting the Identity Theft Prevention Program



KINGSLEY OKEREKE
Finance Director


By: Monica Neely
Revenue Manager

Recommended for Approval



Matthew Fertal
City Manager

Attachment A: Resolution Adopting the Identity Theft Prevention Program

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE
ADOPTING AN IDENTITY THEFT PREVENTION PROGRAM

WHEREAS, pursuant to federal law the Federal Trade Commission adopted Identity Theft Rules requiring the creation of certain policies relating to the detection, prevention and mitigation of identity theft; and

WHEREAS, the Federal Trade Commission regulations, adopted as 16 C.F.R. §681.2, require creditors, as defined by 15 U.S.C. §1681a(r)(5), to adopt red flag policies to prevent and mitigate identity theft with respect to covered accounts; and

WHEREAS, 15 U.S.C. §1681a(r)(5) cites 15 U.S.C. §1691a, which defines a creditor as a person that extends, renews or continues credit, and defines "credit" in part as the right to purchase property or services and defer payment thereof; and

WHEREAS, the City of Garden Grove is a creditor with respect to 16 C.F.R. §681.2 by virtue of providing water and sewer service to its customers; and

WHEREAS, the Federal Trade Commission regulations define "covered account" in part as an account that a creditor provides for personal, family or household purposes that is designed to allow multiple payments or transactions and specifies that a utility account is a covered account; and

WHEREAS, the Federal Trade Commission regulations require each creditor to adopt an Identity Theft Prevention Program which will use red flags to detect, prevent and mitigate identity theft related to information used in covered accounts; and

WHEREAS, the City provides water and sewer services for which payment is made after the service is provided; and

WHEREAS, the City Council desires to take action to comply with the applicable FTC regulations by adopting an Identity Theft Prevention Program;

NOW, THEREFORE, IT IS RESOLVED, that the City Council of the City of Garden Grove hereby adopts, and directs staff to implement, the Identity Theft Prevention Program attached hereto as Exhibit "A".

BE IT FURTHER RESOLVED, that the City Finance Director, or his or her designee, shall implement and administer the Identity Theft Prevention Program.

BE IT FURTHER RESOLVED, that the City Finance Director shall annually review the Identity Theft Prevention Program to determine if any revisions are needed, and is hereby authorized and directed to make any changes in the Identity Theft Prevention Program that are found to be necessary.

EXHIBIT A

IDENTITY THEFT PREVENTION PROGRAM

Purpose

This program was created in order to comply with regulations issued by the Federal Trade Commission (FTC) as part of the implementation of the Fair and Accurate Credit Transaction (FACT) Act of 2003. The FACT Act requires that financial institutions and creditors implement written programs which provide for detection of and response to specific activities ("red flags") that could be related to identity theft.

The FTC regulations require that the program:

1. Identify relevant red flags and incorporate them into the program
2. Identify ways to detect red flags
3. Include appropriate responses to red flags
4. Address new and changing risks through periodic program updates
5. Include a process for administration and oversight of the program

Program Details

Relevant Red Flags

Red flags are warning signs or activities that alert a creditor to potential identity theft. The guidelines published by the FTC include 26 examples of red flags which fall into the following five categories:

1. Alerts, notifications, or other warnings received from consumer reporting agencies or service providers
2. Presentation of suspicious documents
3. Presentation of suspicious personal identifying information
4. Unusual use of, or other suspicious activity related to, a covered account
5. Notice from customers, victims of identity theft, or law enforcement authorities

After reviewing the FTC guidelines and examples, the City's Finance Department determined that the following red flags are applicable to utility accounts. These red flags, and the appropriate responses, are the focus of this program.

- Suspicious Documents and Activities
 - Documents provided for identification appear to have been altered or forged.
 - The photograph or physical description on the identification is not consistent with the appearance of the applicant or customer presenting the identification.
 - Other information on the identification is not consistent with information provided by the customer.
 - A customer refuses to provide proof of identity when discussing an established utility account.
 - A person other than the account holder or co-applicant requests information or asks to make changes to an established utility account.
 - The SSN provided by the customer belongs to another customer.
- A customer notifies the City of any of the following activities:

- Account statements are not being received
- Unauthorized changes have been made to an account
- Fraudulent activity on the customer's bank account or credit card that is used to pay account charges
- The City is notified by a customer, a victim of identity theft, or a member of law enforcement that an account has been opened for a person engaged in identity theft.

Detecting and Responding to Red Flags

Red flags will be detected as City employees interact with customers. An employee will be alerted to these red flags during the following processes:

- Reviewing customer identification in order to establish an account or process a payment: Documents are presented that appear altered or inconsistent with the information provided by the customer.

Response: Do not establish the account or accept payment until the customer's identity has been confirmed.

- Answering customer inquiries on the phone, via email, and at the counter: Someone other than the account holder or co-applicant may ask for information about an account or may ask to make changes to the information on an account. A customer may also refuse to verify their identity when asking about an account.

Response: Inform the customer that the account holder or the co-applicant must give permission for them to receive information about the account. Do not make changes to or provide any information about the account, with one exception: if the service on the account has been interrupted for non-payment, payment may be accepted in the amount needed for connection of service.

- Receiving notification that there is unauthorized activity associated with an account: Customers may call to alert the City about fraudulent activity related to their account and/or the bank account or credit card used to make payments on the account.

Response: Verify the customer's identity and notify the Revenue Supervisor immediately. Take appropriate actions to correct the errors on the account, which may include:

- Issuing a service order to connect or disconnect services
- Updating personal information on the account

- Updating the mailing address on the account
 - Updating account notes to document the fraudulent activity
 - Notifying and working with law enforcement officials
- Receiving notification that an account has been established for a person engaged in identity theft.

Response: Notify the Revenue Supervisor immediately. The claim will be investigated, and appropriate action will be taken to resolve the issue as quickly as possible.

Administration and Oversight of the Program

The Finance Director or his or her designee shall review this program at least annually and provide recommendations to the City Manager to update the program as needed based on the following events:

- Experience with identity theft
- Changes to the types of accounts and/or programs offered
- Implementation of new systems

Specific roles are as follows:

The Revenue Supervisor will oversee the daily activities related to identity theft detection and prevention, and ensure that all members of the Revenue Division staff are trained to detect and respond to red flags.

The Finance Director will provide ongoing oversight to ensure that the program is effective.

The City Manager will review and approve recommended changes to the program, both annually and on an as-needed basis.

The City Council must approve the initial program.