

# INTERIM INSTRUCTION NOTICE #09-002

May 4, 2009

**SUBJECT:** Red Flags Rule

**DISTRIBUTION:** All Department of  
Behavioral Health Staff  
and Contract Agencies

**OBSOLETE:**

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**Effective Date**      **November 1, 2008**

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**Overview**      The Federal Trade Commission (FTC), federal bank regulatory agencies and National Credit Union Administration have issued regulations known as the Red Flags Rule. This rule requires financial institutions and creditors to develop and implement written identity theft prevention programs as part of the Fair and Accurate Credit Transaction Act of 2003. The program must be in place as of November 1, 2008, with the requirement to provide identification, detection and response to patterns, practices or specific “red flags” that could indicate identity theft. The Red Flags Rule applies to financial institutions and creditors with covered accounts.

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**Definitions**      *Covered Account:* account used mostly for family, personal or household purposes that involves multiple payments or transactions. An account for which there is a foreseeable risk of identity theft. Covered accounts include but are not limited to the following: credit card accounts, cell phone accounts, utility accounts and checking and savings accounts.

*Creditor:* any entity that regularly extends, renews or continues credit. Creditors include but are not limited to the following: finance companies, automobile dealers, utility companies and non-profit and government agencies that defer payment for goods or services.

*Red Flag:* pattern, practice or specific activity that indicates the possible existence of identity theft.

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**Requirements**      Creditors such as DBH are required to develop, implement and administer an Identity Theft Prevention Program that includes four basic elements:

- Develop reasonable policies and procedures to identify the Red Flags of identity theft;
- Detect the red flags identified with procedures in place to mitigate identity theft;
- Prevent and mitigate identity theft by appropriately taking action when red flags are detected; and
- Re-evaluate the program periodically to reflect new risks.

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<b>Enforcement</b>	<p>The FTC, federal bank regulatory agencies and National Credit Union Administration complete enforcement of the Red Flags Rule. The FTC has delayed the enforcement of the Red Flags Rule until August 1, 2009, to provide financial institutions and creditors more time to develop and implement written identity theft prevention programs.</p> <p>DBH shall adhere to County Standard Practice <a href="#">16-01SP2, Identity Theft Prevention</a> until the finalization and posting of its policy and procedure regarding Red Flags Rule.</p>
<b>Questions</b>	<p>Questions regarding this Interim Instruction Notice should be directed to DBH Office of Compliance (909) 382-3127 or <a href="mailto:Compliance_Questions@dbh.sbcounty.gov">Compliance_Questions@dbh.sbcounty.gov</a></p>
<b>Reference</b>	<p>Code of Federal Regulations Title 16, Part 681 et al, Identity Theft Rules Federal Trade Commission (2009). Retrieved April 30, 2009, from <a href="http://www.ftc.gov/index.shtml">http://www.ftc.gov/index.shtml</a></p>
<b>Related policy</b>	<p>County Policy Manual, Standard Practice <a href="#">16-01SP2, Identity Theft Prevention</a></p>

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