



TOWN OF HILLSBOROUGH

FINANCE POLICY

POLICY 119

CREATED 5/1/09

PURPOSE: To establish policies and procedures to help prevent identity theft pursuant to the Fair and Accurate Credit Transactions (“FACT”) Act.

STATEMENT OF POLICY:

Introduction:

Pursuant to federal law, the Federal Trade Commission adopted identity theft rules requiring the creation of certain policies relating to the use of consumer reports, address discrepancy and the detection, prevention and mitigation of identity theft. The regulations adopted as 16 CFR §681.2 require creditors, as defined by 15 U.S.C. §1681 a(r)(5) to adopt red flag policies to prevent and mitigate identity theft with respect to covered accounts. Creditor as cited in 15 U.S.C. §1691a is defined 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 therefore. The regulations include utility companies in the definition of creditor and define “covered account” in part as an account that is used primarily for personal, family or household purposes and involves or is designed for multiple payments or transactions, such as utility accounts.

The Town of Hillsborough is a creditor by virtue of providing water and sewer services classified as covered accounts for which payment is made after the product is consumed or the service has otherwise been provided and allowing for multiple payments or transactions. Customer accounts are billed every two months (a relative few are billed every month per customer request). Charges are made two months in arrears for products or services previously provided. Water utility charges are based on metered actual water use.

The Town’s application for water and sewer service requires applicants to submit essential information that includes name, service address and billing address only. Sewer services as included in this program only refers to the seven commercial account, as the majority of the accounts from residential customers are collected through the property tax administered by the San Mateo County Controller’s Office. Most of the payments are received through the postal system. The Town also offers an automatic payment service where applicants sign up for automatic payments to directly charge their bank accounts in settlement of their water accounts. The Town also offers credit card and electronic checks payments through a third party vendor –

Official Payments Corporation, and does not acquire related financial information for these payments.

Policies and Procedures

A. Program's Basic Elements

1. Identify relevant warning signs, including patterns, practices, or specific activities that are indicative of identity theft, i.e. "red flags";
2. Detect the red flags that have been incorporated into the program;
3. Provide for appropriate responses to such red flags in order to prevent or mitigate identity theft; and
4. Periodically update the program to reflect changes in risks to customers.

B. Categories of Red Flags Identified in the Rules

1. Alerts, notifications or warnings from consumer reporting agencies or service providers.
2. Presentation of suspicious documents including documents that appear to be forged or altered or those on which the photograph does not match the physical description.
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 agencies.
6. Mail to account holder address returned as undeliverable.

C. Detecting Red Flags Relevant to the Town and the Related Responses

1. Reviewing customer identification in order to establish an account, changes to an existing account, process a payment or enrolling the customer in the Automatic Payment Service. The utility service clerk may be presented with documents that appear altered or inconsistent with the information provided by the customer.

Action: Do not establish the utility account, make changes to the account or accept payment until the customer's identity has been confirmed. Verify the validity of requests to change billing addresses. Changes to financial information regarding the Automatic Payment Service cannot be made over the phone. A new application for the service including related supporting documentation such as a copy of a voided check should be processed.

2. Answering inquiries on the phone, via email and at the counter from persons other than the account holder or co-applicant.

Action: Request the person for a written permission from the account holder(s) and require proof of proper identification.

3. Receiving notification that there is unauthorized activity associated with a utility account. Customers call to alert the Town about fraudulent activity related to their utility accounts and/or the bank accounts or credit card used to make payments on the accounts.

Action: Verify the customer's identity and notify the supervisor immediately. Take the appropriate actions to correct the errors on the accounts which may include:

- a. Issuing a service order to connect or disconnect services;
 - b. Assisting the customer with deactivation of their Automatic Payment Service or online bill pay through Official Payments;
 - c. Updating personal information on the utility account;
 - d. Updating the mailing address on the utility account;
 - e. Updated account notes to document the fraudulent activity;
 - f. Notifying and working with the Police Department.
4. Breach in the Town's computer system security and unauthorized access to or use of customer account information.

Action: Town will continue its current practice to complete and secure destruction of paper documents containing financial information on a timely basis, ensure that office computers are password protected, that computer screens lock after a set period of time, limit access to utility computer system to authorized personnel and ensure computer virus protection is up to date.

- a. Report any breach to the computer system security and unauthorized access to or use of financial information to supervisor and the Police Department;
- b. Contact the affected customers right away; and
- c. Change the account setup to prevent fraud.

D. Program Updates

This program will be periodically reviewed and updated to reflect changes in risks to customers and the soundness of the program from identity theft. On as needed basis but no less than once a year, Finance will evaluate the Town's experiences with identity theft. The Town will determine and implement changes that are needed to sustain an effective program.

E. Program Administration

1. Oversight

Responsibility for developing, implementing and updating this program will be a function of the Finance Director's office. The Assistant Finance Director will oversee the daily activities related to identity theft detection and prevention.

2. Staff Training and Reports

Finance staff responsible for implementing the program shall be trained in the detection of red flags and taking the responsive steps as identified in the program.

3. Service Provider Arrangements

The Town will take the following steps to ensure that the service provider utilized in utility activities performs in accordance with reasonable policies and procedures designed to detect, prevent and mitigate the risk of identity theft.

- a. Require, by contract, that service providers have such policies and procedures in place; and
- b. Require, by contract, that service providers review the program and report any red flags to the Town's Finance Director.

4. The Finance Department and Police Department will establish a procedure for notification of any reports of fraud, identity theft or similar crimes.

5. The program will take effect on May 1, 2009.