

***Virginia Government Finance Officers Association
“VGFOA”
Virginia Beach Conference June 5, 2009***



***Red Flags
&
Identity Theft***



What you will hear today



- ***10 minutes - What do we know about the FTC Red Flags Rule?***
- ***5 minutes - What can we learn from the FTC?***
- ***5 minutes - What is a Red Flag?***
- ***20 minutes - Have local governments had identity breaches?***
- ***5 minutes - What resources can I access on this topic?***
- ***5 minutes - Can we buy insurance for the widespread identity breach?***
- ***5 minutes - Questions?***
- ***But first... Speaking of Identities***



Her name is *Peggy*



Her Name is *Mittie*



"MY MOTHER, MARTHA BULLOCH, WAS A SWEET, GRACIOUS, BEAUTIFUL SOUTHERN WOMAN, A DELIGHTFUL COMPANION AND BELOVED BY EVERYBODY."



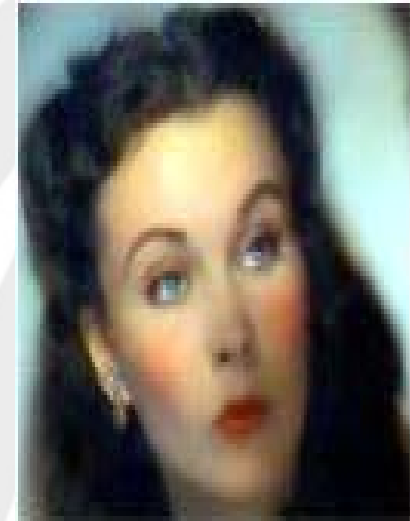
Her name is?



What do they have in common?



"MY MOTHER, MARTHA BULLOCH, WAS A SWEET, GRACIOUS, BEAUTIFUL SOUTHERN WOMAN, A DELIGHTFUL COMPANION AND BELOVED BY EVERYBODY."



Need a Hint?





MCNEARY

A
STEP
AHEAD

The Answer is....



Gone with the Wind



What do we know about the FTC Red Flags Rule?



- **FTC created a new division devoted to ID theft**
- **16 CFR (Red Flags Regulations)**
- **Applies to anyone who uses consumer or credit reports**
- **Requires creditors or financial institutions to detect, prevent and mitigation of ID theft in relation to covered accounts**
- **Compliance date 11/1/2008, but enforcement was delayed until 5/1/2009**



What do we know about the FTC Red Flags Rule?



- **Red Flag Identity Theft Program – for new customer accounts and during the course of customer relationships – utilities, other services providers without demanding payment up front or depending how and when they collect payment for their services (defer payments)**
- **Elements of the Program – Identify, detect, respond, update, train staff, involve board, oversight of service providers**



What can we learn from the FTC?



- **(2007) Top categories of how victims info is misused:**
 - 1. Other identity theft**
 - 2. Credit Card Fraud**
 - 3. Phone or Utilities**
 - 4. Employment Related Fraud**
 - 5. Bank Fraud**
 - 6. Government Documents or Benefits Fraud**
- **(2007) Victims not notifying law enforcement 65%**
- **Rankings by age of victims; 18-29 (28%), 30-39 (23%), 40-49 (19%), 50-59 (13%), 60+ (10%)**



What can we learn from the FTC?



- **(2007) Identity theft victims by state complaints per 100,000 people – #1 Arizona, #2 California (most complaints), #18 Virginia, #50 North Dakota**
- **(2007) Top 5 ID Theft Types Reported by Virginia Victims:**
 1. **Credit Card Fraud**
 2. **Phone or Utilities Fraud**
 3. **Bank Fraud**
 4. **Government Documents or Benefits Fraud**
 5. **Employment-related Fraud**



What is a Red Flag?



Categories of Red Flags

- Alerts, notifications or other warnings. Example: consumers fraud alert
- Presentation of suspicious documents. Example: ID altered
- Presentation of suspicious personal identifying info. Example: Suspicious address
- Unusual use of or suspicious activity related to customer account. Example: Inactive account is used
- Notice from citizens/customers, victims or police



Have local governments had identity breaches?



- **Identity Theft Resources Center reported 111 potential government/military entity breaches and 2,954,373 exposed records in 2008**
- **9 Counties, 5 Cities and 2 Public Schools breaches**
- **8% of all reported breached records were concerning government entities**



Have local governments had identity breaches?



- County Parks & Recreation Department-employee car was stolen with 3 months of bank draft transactions. **# of exposed records unknown**
- City Library-thief stole 30 job applications with names and SSN's from an employees car. **30 exposed records**
- County Health & Social Services-employee was arrested for conspiracy to commit bank fraud and aggravated identity theft from people receiving food stamps. **10,000 exposed records**



Have local governments had identity breaches?



- County Tax Collector-courier service vehicle stolen carrying County's computer report of taxpayers check information including account and routing numbers. **468 exposed records**
- County Court Archives-traffic case records were stolen including the names, addresses, dates of birth and possibly SSN's (thief arrested). **300 exposed records**
- City Water and Power-employee documents stolen. **26 exposed records**



Have local governments had identity breaches?



- County Courts-vendor (printer) released personal information of potential jurors and employees. **380 exposed records.**
- City Human Services Dept-Dumped confidential documents (food stamp and financial assistance applicants) into unsecured paper recycle bins and were removed by unauthorized individuals (spotted by witnesses). **70 exposed records.**
- City-unintentional release of employee SSN's via an email sent to personnel. **300 exposed records.**





Have local governments had identity breaches?



- County-confidential information of students, employees and volunteers was put in a public domain for more than a month. ***2550 exposed records.***
- City-unusual account activity on its account with data services provider was discovered and reported to police. A ID # and Password was compromised. There were names, SSN's, driver's license and DOBs in providers data base. ***12,120 exposed records.***
- School District-inadvertent release of employee info to local union. ***5,000 exposed records.***



Have local governments had identity breaches?



- County Dept of Health Services-employee took a disk with employee data including SSN's home, lost it and has yet to be found. *7,000 exposed records* .
- County-former inmate allegedly hacked into the prison's computer network and stole SSN's of former and current inmates. *1,000 exposed records*.



What resources can I access on this topic?



Identity Theft Laws- VA Codes

- **18.2-186.3** Penalty, restitution, victim assistance
- **18.2-186.3:1** Police Reports
- **18.2-186.5** Use of computer to gather identifying information



What resources can I access on this topic?



- **Identity Theft Resource Center**
www.idtheftcenter.org
- **FTC.com**
- **FBI/FTC Internet Fraud Task Force**
www.ic3.gov



Can we buy insurance for the widespread identity breach?



Covered Perils

- **A wrongful disclosure or breach of private or confidential data**
- **A failure of an insured's computer network security**
- **Failure to protect personally identifiable info from misappropriation**
- **A violation of any federal, state or local privacy statute including HIPPA**



Can we buy insurance for the widespread identity breach?

Liability Coverage

- **Duty to defend suits**
- **Pay on behalf for damages**
- **Defense for regulatory actions**
- **Broad definition of claim**
- **Broad Definition of covered information**
- **Vicarious liability for third parties that may hold the insured's info**
- **Actions of “rogue employees”**
- **Theft Services Expenses**





MCNEARY

A
STEP
AHEAD

***Virginia Government Finance Officers Association
“VGFOA”
Virginia Beach Conference June 5, 2009***



Questions?

