

**Red Flags/Identity Theft
Audit Program**

Audit Date: _____
Completed by: _____

Procedure	Comments
<p><u>Establishment of an identity theft prevention program (Program).</u> Verify that the financial institution developed and implemented a written Program designed to detect, prevent, and mitigate identity theft in connection with the opening of a “covered account” or any existing “covered account.” The Program must be appropriate for the financial institution’s size and complexity and the nature and scope of its operations and must contain “reasonable policies and procedures” to:</p>	
<p>1. Identify red flags for the covered accounts the financial institution offers or maintains and incorporate those red flags into the Program;</p>	
<p>2. Detect red flags that have been incorporated into the Program;</p>	
<p>3. Respond appropriately to any red flags that are detected to prevent and mitigate identity theft;</p>	
<p>4. Ensure the Program (including the red flags determined to be relevant) is updated periodically to reflect changes in risks to customers and to the safety and soundness of the financial institution from identity theft;</p>	
<p>5. Require reporting to the board of directors or an appropriate committee of the board on the status and effectiveness of the Program at least on an annual basis and;</p>	
<p>6. Provide for periodic independent review or audit of the Program</p>	
<p><u>Periodic identification of covered accounts.</u> Each financial institution must periodically determine whether it offers or maintains covered accounts. As part of this determination, has the financial institution conducted a risk assessment to determine whether it offers or maintains covered accounts taking into consideration:</p>	
<p>1. The methods it provides to open its accounts;</p>	
<p>2. The methods it provides to access its accounts; and</p>	
<p>3. Its previous experiences with identity theft.</p>	
<p>Is the risk assessment reviewed and updated periodically to reflect changes that may have an impact on the risk to customers and the financial institution?</p>	
<p><u>Administration of the Program.</u> A financial institution must provide for the continued administration of the Program. Does the Program adequately address the following:</p>	
<p>1. Appointment by the board of directors of an employee who has a sufficient level of authority to develop, implement and oversee the administration of the Program;</p>	
<p>2. Obtaining approval of the initial written Program by the board of directors or an appropriate committee of the board;</p>	
<p>3. Training staff, as necessary, to implement the Program effectively; and</p>	
<p>4. Exercising appropriate and effective oversight of service provider arrangements.</p>	

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<p><u>Guidelines.</u> Each financial institution that is required to implement a program also must consider the guidelines in Appendix J of the regulation and include in its Program those guidelines that are appropriate. Do the policies and procedures in effect consider all applicable guidelines and meet the requirements of the regulations?</p>	
<p>Has the financial institution incorporated into its Program, as appropriate, existing policies, procedures, and other arrangements to control reasonably foreseeable risks to customers and to the safety and soundness of the financial institution from identity theft?</p>	
<p>Have all the examples of red flags that are found in Supplement A to Appendix J of the regulation been considered in implementation of the program. Are there any additional red flags that need to be included based on the size and complexity and the nature and scope of the institution's activities?</p>	
<p><u>Requirement to form a reasonable belief.</u> A user must develop and implement reasonable policies and procedures designed to enable the user to form a reasonable belief that the consumer report relates to the consumer whose report was requested, when the user receives a notice of address discrepancy in connection with a new or existing account. Has the financial institution implemented adequate policies and procedures for forming a reasonable belief that a consumer report relates to the consumer whose report was requested by:</p>	
<p>1. Comparing information in the consumer report with information the user:</p>	
<p>a. Has obtained and used to verify the consumer's identity as required by the Customer Identification Program;</p>	
<p>b. Maintains in its records; or</p>	
<p>c. Obtains from a third party.</p>	
<p>2. Verifying the information in the consumer report with the consumer.</p>	
<p><u>Requirement to furnish a consumer's address to an NCRA .</u> Has the financial institution developed and implemented reasonable policies and procedures for furnishing to the NCRA an address for the consumer that the user has reasonably confirmed is accurate when the user:</p>	
<p>1. Can form a reasonable belief that the report relates to the consumer whose report was requested;</p>	
<p>2. Establishes a continuing relationship with the consumer (i.e., in connection with a new account); and</p>	
<p>3. Regularly, and in the ordinary course of business, furnishes information to the NCRA that provided the notice of address discrepancy.</p>	
<p>Do the policies and procedures for furnishing a consumer's address to an NCRA require the user to furnish the confirmed address as part of the information it regularly furnishes to the NCRA during the reporting period when it establishes a continuing relationship with the consumer.</p>	

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The rules also provide the following examples of how a user may reasonably confirm an address is accurate. Do policies and procedures incorporate the following:	
1. Verifying the address with the consumer whose report was requested;	
2. Reviewing its own records;	
3. Verifying the address through third-party sources; or	
4. Using other reasonable means.	