

December 3, 2009

ALERT: “Red flags” rules enforcement deadline extended to June 2010; increased likelihood of fraud in businesses requires increased vigilance

Red flags enforcement delayed again

Organizations which extend credit have received another extension to the deadline when the Federal Trade Commission (FTC) begins enforcement of its “Red Flags” rules. Extended once from November 1, 2008, to May 1, 2009, the new enforcement deadline is June 1, 2010.

The FTC’s “Red Flags” rules require that “creditors” develop and implement written identify theft programs to help identify, detect and respond to activities (“red flags”) that could indicate identify theft – for example, alerts from a consumer reporting agency, suspicious documents or suspicious personally identifying information, or notices from customers or others about possible identity theft. The word “creditors” is used broadly to mean:

- organizations which “regularly extend, renew or continue credit,” and
- organizations which “regularly arrange for extension, renewal or continuation of credit”

Creditors, as defined by the FTC, must develop a written program that:

- Identifies and detects specific warning signs of identify theft
- Describes appropriate responses to prevent and mitigate the crime
- Details a plan to update the program
- Is managed by the board of directors or senior employees of the organization
- Includes appropriate staff training
- Provides for oversight of any service providers
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For more information, visit <http://www.ftc.gov/bcp/edu/microsites/redflagsrule/index.shtml>.

Recession increases fraud risk

During a recession, businesses are more likely than ever to experience fraud. In addition to implementing and maintaining strong internal controls, it’s imperative now to examine what else you can do to protect yourself from fraud. In a survey conducted by the Association of Certified Fraud Examiners (ACFE) in March of this year, **54% of respondents indicated seeing or experiencing an increase in fraud in the past year and 49% reported an increase in the dollar amount lost to fraud in the same period.**

Occupational frauds are most likely to be detected by anonymous tips. **By implementing a confidential employee communication system, like an anonymous tip hotline or other reporting system, you could help reduce your organization’s instances of fraud, as well as the amount lost per instance.**

For information on fraud prevention or implementing a confidential employee communication system contact your AGH professional at (316) 267-7231 or Marjorie Engle, AGH vice president of organizational development and family business services, at marjorie.engle@aghlc.com.

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