

RESOLUTION NO. 2009-24

A Resolution of North Kootenai Water District, Kootenai County, Idaho, adopting a Red Flag Policy and Program for the District; directing the management to implement the components of the Program; providing for an effective date of the Program and this Resolution; and providing for other matters properly relating thereto.

NORTH KOOTENAI WATER DISTRICT  
Kootenai County, Idaho

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE NORTH KOOTENAI WATER DISTRICT, Kootenai County, Idaho, as follows:

WHEREAS, the North Kootenai Water District ("District") is a duly and properly formed water district under and by virtue of the constitution and laws of the State of Idaho;

WHEREAS, the District is governed by an elected Board of Directors ("Board");

WHEREAS, the Federal Trade Commission and several other Federal agencies have published the Identity Theft Red Flag Rule ("Red Flag Rule") which requires that all utilities that provide water and wastewater service on credit to develop a program which complies with the Red Flag Rule, on or before August 1, 2009;

WHEREAS, in addition to the implementation of the policy and program, the Board wants to make sure that adequate training is provided for the staff who work in areas of the operation of the District which may be affected by the Red Flag Rule;

NOW, THEREFORE, IT IS HEREBY FURTHER RESOLVED as follows:

Section 1: INCORPORATION OF RECITALS

The Board hereby incorporates the recitals set forth herein as a part of this resolution.

Section 2: ADOPTION OF PROGRAM

The Board hereby adopts as its policy and program, the document attached hereto as Exhibit "A".

Section 3: EDUCATION OF STAFF

The Board wishes to emphasize the need to provide appropriate education to the staff who will be working with the areas covered by the Red Flag Rule.

Section 4: DIRECTION TO MANAGER AND STAFF

The Board hereby directs the Manager and staff to take all steps necessary to fully implement the program. Once it is implemented, the Board asks for staff to provide a report to the Board on the steps that have been taken to provide for implementation and also to provide occasional updates as appropriate to the Board.

Section 5: SEVERABILITY

If any section, paragraph, clause, or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of each section, paragraph, clause, or provision shall in no manner affect any remaining provision of this Resolution.

Section 6: RATIFICATION

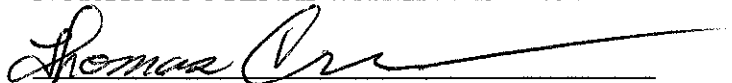
The Board hereby ratifies all acts taken by members of the Board and/or agents on behalf of the Board or District relative to the implementation of the Red Flag Policy and Program is hereby ratified and approved.

Section 7: EFFECTIVE DATE OF RESOLUTION

The effective date of this Resolution and the Red Flag Rule Program is the date of the adoption of this Resolution.

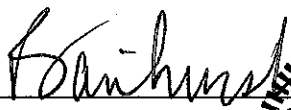
Dated this 27th day of July, 2009.

NORTH KOOTENAI WATER DISTRICT

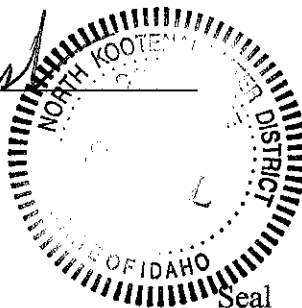
  
\_\_\_\_\_

Chairman

ATTEST:

  
\_\_\_\_\_

Secretary



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I, the undersigned, Secretary of the North Kootenai Water District, Kootenai County, Idaho hereby certify that the foregoing Resolution is a full, true, and correct copy of a Resolution duly adopted at a special meeting of the Board of Directors, duly and regularly held at a special meeting place thereof on July 27, 2009, of which special meeting all members of said Board had due notice and at which a majority thereof were present; and that at said special meeting said Resolution was adopted by the following vote:

AYES, and in favor thereof, Boardmembers: 5

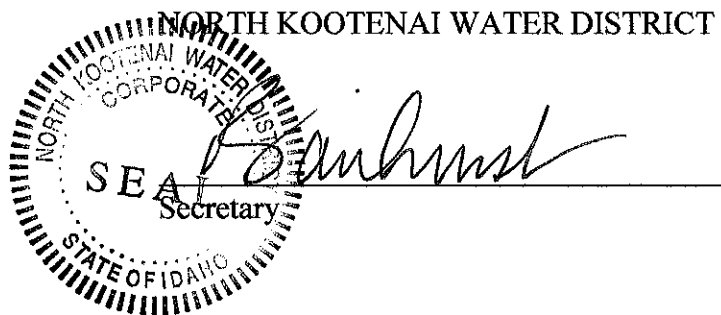
NAYS, Boardmembers: 0

ABSENT, Boardmembers: 0

ABSTAIN, Boardmembers: 0

I further certify that I have carefully compared the same with the original Resolution on file and of record in my office; that said Resolution is a full, true, and correct copy of the original Resolution adopted at said special meeting; and that said Resolution has not been amended, modified, or rescinded since the date of its adoption, and is now in full force and effect.

IN WITNESS WHEREOF, I have set my hand and affixed the official seal of the Board on July 27, 2009.



**Identity Theft Prevention Program  
North Kootenai Water District  
Revision 1.0**

**7/17/2009**

**This document supersedes all previous  
identity theft prevention program documents.**

**Approved and Adopted by:  
The Board of Directors**

**Date: \_\_\_\_\_**

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## Statement of Need and Definition

Customers depend on North Kootenai Water District to properly protect personal, nonpublic information, which is gathered and stored in internal records. Regulatory agencies are charged with the responsibility to ensure financial institutions and creditors information security controls and procedures are in compliance with the intent of the regulations to protect a customer's identity. Therefore, it is important for management and staff to understand the basic security requirements and provide ongoing assistance in detection, prevention, and mitigation of identity theft to North Kootenai Water District's customers.

## Compliance

This Identity Theft Prevention Program is designed to emphasize compliance with all information security requirements, including those detailed in the regulatory agency guidelines. Specifically, the intent of the Identity Theft Prevention Program is to meet the objectives of the FACT Act, as set forth in FTC Rules and Regulations 16 CFR Part 681 – Identity Theft Red Flags. Furthermore, the Identity Theft Prevention Program is aligned with FFIEC and FTC requirements.

## Objective

North Kootenai Water District's objective is to develop a written Identity Theft Prevention Program, designed to detect, prevent, and mitigate identity theft in connection with the opening of a covered account or any existing covered account.

- ❖ An officer and/or senior management employee of North Kootenai Water District will serve as the organization's Identity Theft Prevention Coordinator.
- ❖ The program will be updated periodically to reflect changes in risks to customers and to the safety and soundness of the financial institution or creditor from identity theft.

## Goals

The specific goals of this program are to:

- ❖ Identify relevant Red Flags for the covered accounts that North Kootenai Water District offers or maintains.
- ❖ Define reasonable policies and procedures to detect and respond to identified Red Flags.
- ❖ Update the program and Red Flags periodically to reflect changes in risks to customers and to the safety and soundness of North Kootenai Water District.
- ❖ Ensure Board of Directors involvement in the adoption of the organization's written Identity Theft Prevention Program and ongoing oversight of the integral parts of the Identity Theft Prevention Program and related Red Flags.
- ❖ Establish responsibility for implementation and maintenance of the Identity Theft Prevention Program, including ongoing review of Red Flags.
- ❖ Design, implement, and maintain information security controls to address identified risks relative to the sensitivity level of customer information.
- ❖ Train management and staff, as necessary, to effectively implement the Identity Theft Prevention Program.
- ❖ Exercise appropriate and effective oversight of service providers and require these vendors to provide appropriate measures designed to meet the control objectives of the Identity Theft Prevention Program.
- ❖ Report to the Board of Directors at least annually. The report will address material matters related to the Program and evaluate issues such as: the effectiveness of policies and procedures in addressing the risk of identity theft in connection with the opening of covered accounts and with respect to existing covered accounts; service provider arrangements; significant incidents involving identity theft and management's response; and recommendations for material changes to the Program.

## Responsibility

The responsibility of maintaining an effective Identity Theft Prevention Program is assigned to the Board of Directors.

The Board of Directors will be responsible for the appointment of an Identity Theft Prevention Coordinator. The current Identity Theft Prevention Coordinator will be Debbie Wilson. The Identity Theft Prevention Coordinator will report to the Board of Directors.

## Regulatory Requirement

16 CFR Part 681 (c) (Periodic Identification of Covered Accounts) states:

"Each financial institution or creditor must periodically determine whether it offers or maintains covered accounts. As part of this determination, a financial institution or creditor must conduct a risk assessment to determine whether it offers or maintains covered accounts described in paragraph (b)(3)(ii) of this section, taking into consideration:

- (1) The methods it provides to open its accounts;
- (2) The methods it provides to access its accounts; and
- (3) Its previous experiences with identity theft."

## Purpose

The risk assessment required per 16 CFR Part 681 (c) determines if an institution has covered accounts and, consequently, must develop a formal Identity Theft Prevention Program. The risk assessment must be updated periodically based on changes in methods used to open accounts, methods available to access accounts and the institution's experience with identity theft.

## Risk Factors

Based on North Kootenai Water District's Identity Theft Prevention Program Risk Assessment, the following risk factors have been identified:

### Types of covered accounts offered:

- ❖ Credit Accounts
- ❖ Deposit Accounts

### Methods to open a covered account:

- ❖ In Person

### Methods to access a covered account:

- ❖ In Person

## Threat and Risk Levels

The Identity Theft Risk Assessment follows a qualitative model. Risk levels are determined by considering the likelihood and potential damage of an event as defined below.

### Likelihood definitions

- ❖ **Low:** Identity Theft is not expected, but there's a slight possibility it may occur at some time.
- ❖ **Medium:** Identity Theft might occur at some time based on a history of limited occurrence, type of covered account, and size and complexity of the organization.



- ❖ **High:** Identity Theft will probably occur based on a history of frequent occurrence, type of covered account, and size and complexity of the organization.

#### **Damage Potential definitions**

- ❖ **Minimal:** Identity Theft may result in the minor loss of some resources and reputation.
- ❖ **Moderate:** Identity Theft may result in loss of resources and reputation which could harm the organization's ability to achieve its mission.
- ❖ **Major:** Identity Theft may result in the loss of major resources and reputation which would harm the organization's ability to achieve its mission.

#### **Risk Level definitions**

- ❖ **Low:** Impact is minimal and could even be considered a cost of doing business.
- ❖ **Medium:** Impact could be significant and possibly affect the stability of the organization.
- ❖ **High:** Impact is major and could threaten the stability of the organization.

#### **Conclusion**

Based on the Identity Theft Prevention Program Risk Assessment, North Kootenai Water District has confirmed it is required to develop and maintain an Identity Theft Prevention Program.

## 2.1 Risk Matrix

Covered Account	Threat	Methods	Controls (Ref Flags)	Likelihood	Potential Damage	Risk
Credit Accounts	Opened Fraudulently	In Person	Address or Telephone Number Flags, Application Appears to be Altered or Forged, Consumer Report Address Discrepancy, Consumer Report Alert, Consumer Report Credit Freeze, Consumer Report Unusual Activity Pattern, Documents Altered or Forged, Incomplete Application, Information on ID Inconsistent with Information on File, Information on ID Inconsistent with Information Provided, Personal ID Associated with Known Fraudulent Activity, Personal ID is Inconsistent with External Information, Personal ID is Inconsistent with Information on File, Personal ID is Inconsistent with Other Personal ID, Personal ID is of a Type Common to Fraudulent Activity, Photograph or Physical Description Inconsistency, The SSN Has Been Submitted by Other Persons	Medium	Major	High
	Unauthorized Access	In Person	Customer is Not Receiving Account Statements, Account Use is Inconsistent with Normal Activity, Challenge Question Responses Unavailable or Limited, Documents Altered or Forged, Inactive Account is Used, Information on ID Inconsistent with Information on File, Information on ID Inconsistent with Information Provided, Key Changes Shortly After Change of Address, Mail is Returned on an Active Account, New Revolving Credit Account Follows Fraud Patterns, Notice that a Fraudulent Account Has Been Opened, Notification of Unauthorized Charges or Transactions, Personal ID is Inconsistent with Information on File, Photograph or Physical Description Inconsistency	Medium	Major	High

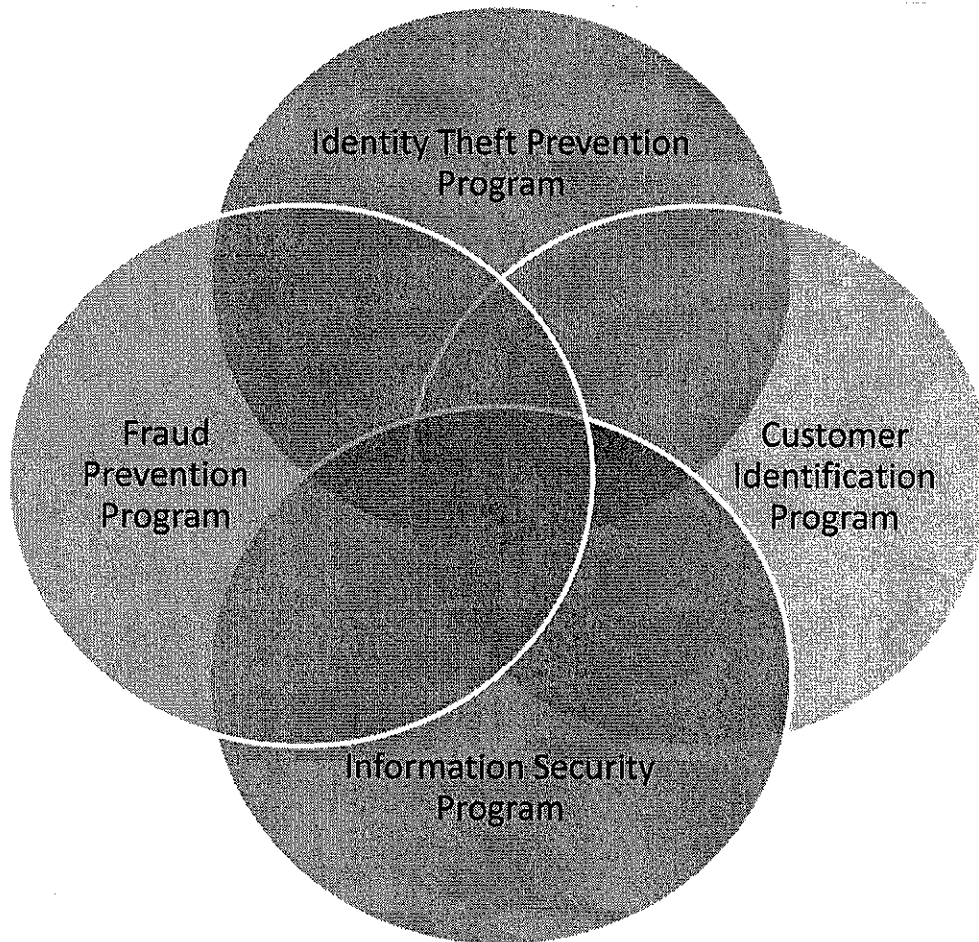
Covered Account	Threat	Methods	Controls (Red Flags)	Likelihood	Potential Damage	Risk
<b>Deposit Accounts</b>	Opened Fraudulently	In Person	Address or Telephone Number Flags, Application Appears to be Altered or Forged, Consumer Report Address Discrepancy, Consumer Report Alert, Consumer Report Credit Freeze, Consumer Report Unusual Activity Pattern, Documents Altered or Forged, Incomplete Application, Information on ID Inconsistent with Information on File, Information on ID Inconsistent with Information Provided, Personal ID Associated with Known Fraudulent Activity, Personal ID is Inconsistent with External Information, Personal ID is Inconsistent with Information on File, Personal ID is Inconsistent with Other Personal ID, Personal ID is of a Type Common to Fraudulent Activity, Photograph or Physical Description Inconsistency, The SSN Has Been Submitted by Other Persons	Medium	Major	High
	Unauthorized Access	In Person	Customer is Not Receiving Account Statements, Account Use is Inconsistent with Normal Activity, Challenge Question Responses Unavailable or Limited, Documents Altered or Forged, Inactive Account is Used, Information on ID Inconsistent with Information on File, Information on ID Shortly After Change of Address, Mail is Returned on an Active Account, Notice that a Fraudulent Account Has Been Opened, Notification of Unauthorized Charges or Transactions, Personal ID is Inconsistent with Information on File, Photograph or Physical Description Inconsistency	Medium	Major	High

**Statement**

The Board of Directors of North Kootenai Water District requires the organization to develop and implement a comprehensive Identity Theft Prevention Program, which identifies relevant Red Flags for all covered accounts. The program will be reviewed and assessed on an annual basis, and the results will be reported to the Board of Directors.

The following other Programs relate to the Identity Theft Prevention Program:

- ❖ The Customer Identification Program per 31 U.S.C. 5318(l) (31 CFR 103.121)
- ❖ The Fraud Prevention Program
- ❖ The Information Security Program: including Information Security Risk Assessment, and Information Security Policies per Gramm-Leach-Bliley Act (GLBA)



## 3.1 Identification of Relevant Red Flags

### Risk Factors

To identify relevant Red Flags, North Kootenai Water District has evaluated the following factors (see Risk Assessment section above):

#### Types of covered accounts:

North Kootenai Water District offers the following types of covered accounts:

- ❖ Credit Accounts
- ❖ Deposit Accounts

#### Methods to open a covered account:

- ❖ In Person

#### Methods to access a covered account:

- ❖ In Person

#### Previous experiences with identity theft:

North Kootenai Water District will take into account previous experiences with identity theft when defining and updating Red Flags.

### Sources of Red Flags

North Kootenai Water District will incorporate relevant Red Flags from sources such as:

- ❖ Incidents of identity theft North Kootenai Water District has experienced.
- ❖ Methods of identity theft that reflect changes in identity theft risks.
- ❖ Applicable supervisory guidance.

### Categories of Red Flags

North Kootenai Water District will categorize relevant Red Flags into the following categories:

- ❖ Alerts, notifications, or other warnings received from consumer reporting agencies or service providers, such as fraud detection services.
- ❖ The presentation of suspicious documents.
- ❖ The presentation of suspicious personal identifying information, such as a suspicious address change.
- ❖ The unusual use of, or other suspicious activity related to, a covered account.
- ❖ Notice from customers, victims of identity theft, law enforcement authorities, or other persons regarding possible identity theft in connection with covered accounts held by the financial institution or creditor.

See Section 3 (Red Flags) for a list of identified, relevant Red Flags.

## 3.2 Detection of Red Flags

### Detecting Red Flags

North Kootenai Water District will address detection of Red Flags in connection with opening of covered accounts and existing covered accounts by:

- ❖ Obtaining identifying information about, and verifying the identity of, a person opening a covered account. North Kootenai Water District will use the policies and procedures regarding identification and verification set forth in the Customer Information Program (CIP), as defined in 31 U.S.C. 5318(l) (31 CFR 103.121).
- ❖ Authenticating customers, monitoring transactions, and verifying the validity of change of address requests, in the case of existing covered accounts.

### 3.3 Prevention and Mitigation of Identity Theft

#### Preventing and Mitigating Red Flags

North Kootenai Water District has measures in place to appropriately respond to Red Flags detected that are commensurate with the degree of risk posed. Appropriate responses may include:

- ❖ Monitoring a covered account for evidence of identity theft;
- ❖ Contacting the customer;
- ❖ Changing any passwords, security codes, or other security devices that permit access to a covered account;
- ❖ Reopening a covered account with a new account number;
- ❖ Not opening a new covered account;
- ❖ Closing an existing covered account;
- ❖ Not attempting to collect on a covered account or not selling a covered account to a debt collector;
- ❖ Notifying law enforcement; or
- ❖ Determining that no response is warranted under the particular circumstances..

When determining the appropriate response, North Kootenai Water District will consider aggravating factors that may heighten the risk of identity theft, such as a data security incident that results in unauthorized access to a customer's account records held by the North Kootenai Water District or a third party, or notice that a customer has provided information related to a covered account held by North Kootenai Water District to someone fraudulently claiming to represent North Kootenai Water District or to a fraudulent website.

## 3.4 Update the Program

### Updating the Program

North Kootenai Water District will update the Program (including a review of relevant Red Flags) periodically, to reflect changes in risks to customers or to the safety and soundness of North Kootenai Water District from identity theft based on factors such as:

- ❖ The experiences of North Kootenai Water District with identity theft.
- ❖ Changes in methods of identity theft.
- ❖ Changes in methods to detect, prevent, and mitigate identity theft.
- ❖ Changes in the types of accounts that North Kootenai Water District offers or maintains.
- ❖ Changes in the business arrangements of North Kootenai Water District including mergers, acquisitions, alliances, joint ventures, and service provider arrangements.



## 3.5 Administration of the Program

### Oversight of the Program

The responsibility of maintaining an effective Identity Theft Prevention Program is assigned to the Board of Directors.

The Board of Directors will be responsible for the appointment of an Identity Theft Prevention Coordinator. The current Identity Theft Prevention Coordinator will be Debbie Wilson. The Identity Theft Prevention Coordinator will report to the Board of Directors.

The Identity Theft Prevention Coordinator will:

- ❖ Work closely with the organization's senior management and front line personnel to identify, detect, and respond to appropriate Red Flags,
- ❖ Assign specific responsibility for the Program's implementation,
- ❖ Approve material changes to the Program as necessary to address changing identity theft risks, and
- ❖ Report to the Board of Directors at least annually on the compliance of the Program. The report should address material matters related to the Program and evaluate issues such as:
  - The effectiveness of the policies and procedures of North Kootenai Water District in addressing the risk of identity theft in connection with the opening of covered accounts and with respect to existing covered accounts,
  - Service provider arrangements,
  - Significant incidents involving identity theft and management's response, and
  - Recommendations for material changes to the Program.

### Oversight of Service Providers

Whenever North Kootenai Water District engages a service provider to perform an activity in connection with one or more covered accounts, North Kootenai Water District will take steps to ensure that the activity of the service provider is conducted in accordance with reasonable policies and procedures designed to detect, prevent, and mitigate the risk of identity theft. For example, North Kootenai Water District might require the service provider by contract to have policies and procedures in place to detect relevant Red Flags that may arise in the performance of the service provider's activities, and either report the Red Flags to North Kootenai Water District or take appropriate steps to prevent or mitigate identity theft.

### Staff Training

Financial institutions or creditors need to educate employees to identify and respond to Red Flags. Training supports security awareness and strengthens compliance with the Identity Theft Prevention Program. Ultimately, the behavior and priorities of senior management heavily influence the level of employee awareness and policy compliance, so training and the commitment to security starts with senior management.

Staff will be trained as necessary to effectively implement the Program. Training materials for North Kootenai Water District will review the identification, detection and response to Red Flags.

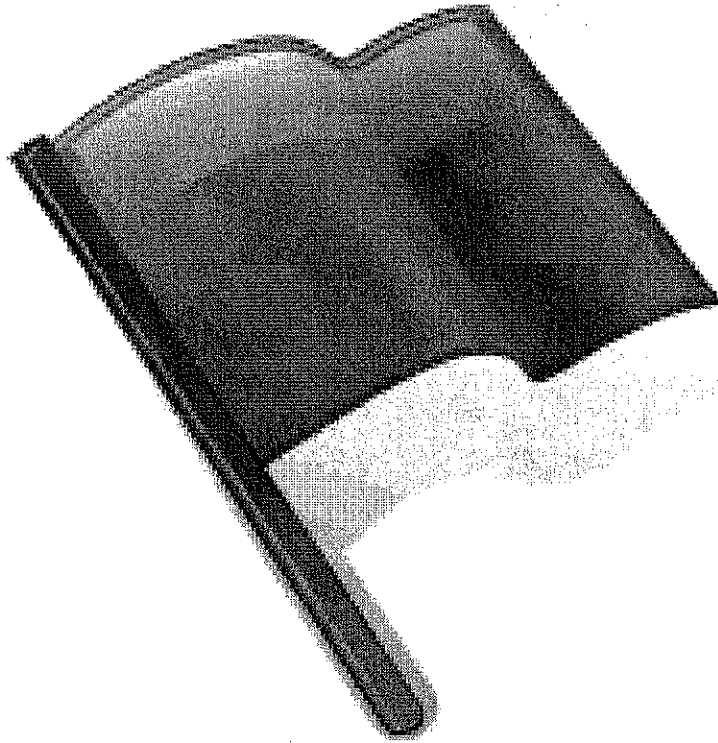
### 3.6 Other Applicable Legal Requirements

North Kootenai Water District will be mindful of other related legal requirements that may be applicable, such as:

- ❖ Filing a Suspicious Activity Report under 31 U.S.C. 5318 (g);
- ❖ Implementing requirements under 15 U.S.C. 1681c-1(h) regarding the circumstances under which credit may be extended when the North Kootenai Water District detects a fraud or active duty alert;
- ❖ Implementing any requirements for furnishers of information to consumer reporting agencies under 15 U.S.C. 1681s-2, for example, to correct or update inaccurate or incomplete information, and to not report information that the furnisher has reasonable cause to believe is inaccurate; and
- ❖ Complying with the prohibitions in 15 U.S.C. 1681m on the sale, transfer, and placement for collection of certain debts resulting from identity theft.

## 4 Red Flag Policies and Procedures

The following Red Flag Policies and Procedures are designed to identify, detect, and respond appropriately to identity theft in connection with the opening of a covered account or access to an existing covered account.



## 4.1 Alerts, Notifications or Warnings

Red Flags associated alerts, notifications, or other warnings received from consumer reporting agencies or service providers, such as fraud detection services.

## 4.1.1 Consumer Report Address Discrepancy

### Red Flag

A consumer reporting agency provides a notice of address discrepancy.

### Detection

A consumer report is run for all new loan accounts. Consumer reports are reviewed by a loan officer.

### Response

Determine from the consumer or customer why the consumer report provided a notice of address discrepancy.

Confirm the address of the consumer or customer by:

- ❖ Verifying the customers address with the address North Kootenai Water District has on file.
- ❖ Verifying the customers address through a third party.

### Verification

Review procedures to run consumer reports on a regular basis. Ensure appropriate employees are trained to adequately review consumer reports.

### Responsibility

Identity Theft Prevention Coordinator

