

MEMO TO: Nathan A. Poore, Town Manager
FROM: John McNaughton
RE: FTC Red Flag Rules
DATE: October 21, 2009

As you are aware, in 2008 the Federal Trade Commission implemented new rules regarding identity theft, commonly known as the "Red Flag Rules". These rules require that any "creditor" organization, as defined by the FTC, implement a written Identity Theft Prevention Program designed to detect the warning signs, or "red flags", of identity theft in their day-to-day operations. I have attached to this memo a summary explanation of the program by the FTC. Organizations have until November 1, 2009, to implement these rules.

In reviewing the Town's operations, the one area where that falls under these rules is our sewer billing operation. As you know, the Town contracts with the Portland Water District (PWD) for its sewer billing. Late last year, the PWD implemented Red Flag Rules for both its water and wastewater billing operations (a copy of their letter is attached to this memo).

As I indicated to you at the time, I felt that the PWD's implementation of these rules essentially covered the Town, as the PWD is the Town's subcontractee for wastewater billing. However, you indicated to me that you had recently been advised that Drummond Woodsum, the Town's legal counsel, is recommending that towns adopt their own rules, even though they are contracting out for the billing services.

At your direction, Drummond Woodsum drafted a red flag program for the Town, as well as the language for the resolution adopting these rules. I have attached these to the memo with the correct dates plugged in. I believe this covers us with respect to the program requirements. Please let me know if you have any questions regarding this matter.