

Article from Dealer Magazine (http://www.imakenews.com/dealercomm1/e_article001349425.cfm?x=b11,0,w)

February 17, 2009

Tick tock...Red Flags looming

by Gil Van Over

Think back to when George W. still resided in the White House. A few days before you were to vote, you were to have a Red Flags Rule program in place. A few days before you were to have a Red Flags Rule program in place, you were scrambling to do so.

Then you got a reprieve. The Feds gave you a six month moratorium. Well, guess what, you have 10 weeks left. Are you going to wait and scramble again or have you already started putting a program in place? Here are the key elements...

Elements

The Red Flags Rule requires certain elements:

- Name a Compliance Officer
- Conduct a risk assessment
- Create and implement a policy
- Provide employee training
- Conduct periodic audits or ensure the program remains current
- Obtain prior written approval by the owner
- Write an annual report to the owner

Name a Compliance Officer – This can and probably should be the same person who is your compliance officer for your Safeguards program. If you haven't implemented that program yet, consider doing so now.

Conduct a risk assessment – A sample risk assessment is available from numerous sources. Get one and do it. It is the basis for establishing your policy and procedure.

Create and implement a policy – Using your findings from the risk assessment, outline your Red Flags policy in a written document. Again, sample policies are available from numerous sources. Just be sure to customize it to your dealership, your findings, your operations.

Provide employee training – Once you develop your policy, train your employees on the particulars of the policy. Have them sign an acknowledgement form stating that they received the training and agree to abide by the policy.

Conduct periodic audits – Establish an audit protocol to periodically test the sufficiency of your program. Billing clerks should be looking for some items on a transactional basis, such as address discrepancies. Managers should be auditing for some items on an operational basis, such as reviewing a sampling of deals for appropriate customer identification. Report and retain any attempts at identity theft and periodically modify your program to address new threats.

Obtain prior written approval – Obtain the owner's written approval of the program you establish and retain that approval.

Write an annual report – Be prepared to write a report annually on the sufficiency of the program in place, including pertinent items such as thwarted attempts, successful attempts and modifications to the program to address them.

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Published by [Dealer Communications](#)

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