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Tool Emerges to Automate Companies' Battle Against Identity Theft

Posted by **Paul Korzeniowski** Tuesday, Mar 25, 2008, 11:26 AM ET

The problems associated with identity theft have become so great that the federal government is forcing corporations to put checks in place to prevent it. Now, help has arrived for businesses that have to comply with these new regulations.

Identity theft are become a catastrophic issue. The Federal Trade Commission (FTC) estimates that 8.3 million people fall victims to it each year, and the crooks create \$15.6 billion in damages. To help lower those horrific numbers, the federal government enacted the FACT Act Identity Theft Red Flags Rule. By November 1, 2008, businesses, including banks, credit unions, mortgage lenders, auto dealers, credit card lenders, payday lenders, landlords, utilities, phone companies, and any business involved in extending credit, must take two steps. First they must perform a risk assessment and next put business processes in place to cut down on the likelihood that any of their security holes will lead to more instances of identity theft.

So, what can a small or medium business do to get ready for this change? ComplianceCoach has [developed](#) a service, dubbed CompliancePal, to help companies identify the steps that they need to take. The service, which is relatively inexpensive (ranging in price from \$295 to \$995 per year) is designed to be easy to use. The vendor has an automated process that walks small and medium businesses through their own business processes and identifies red flags, unsound procedures that could leave their customers open to identity theft. Once the problems are pinpointed, a company needs to put procedures in place to eliminate them.

Though helpful, the service is not a panacea. The results are based on customers' own input, so new problems could arise if they do not understand their own business processes. Also, the service does not offer a client a guarantee that its customers will not fall prey to identity theft.

The government has been a step behind when chasing cyber criminals. Recently, elected officials have been putting checks in place to help address cyber issues, such as spam and identity theft. As these safeguards become effective, the onus falls on small and medium companies to make sure they comply with the new regulations. Consequently, more services, such as CompliancePal, will emerge to help companies meet these requirements.

How much of a risk do you think identity theft is in your company? How strong are the processes to handle personal data? What tips would you have for other companies looking at this issue?

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