

## Consumer information on employees must be disposed of in accordance with new regulation

A new federal rule was enacted that requires businesses and individuals to take appropriate measures to dispose of sensitive information derived from consumer reports. The new disposal rule is a part of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act), which was enacted to reduce the risk of consumer fraud. The new regulation was effective June 1, 2005 and affects all employers who run credit checks or otherwise obtain personal information from consumer reports.

### The New Disposal Rule

The new disposal rule applies to consumer reports or information derived from consumer reports. According to the Federal Trade Commission (FTC), “The Fair Credit Reporting Act defines the term consumer report to include information obtained from a consumer reporting company that is used – or is expected to be used – in establishing a consumer’s eligibility for credit, employment, or insurance, among other purposes. Examples of consumer reports include credit reports, credit scores, reports businesses or individuals receive with information relating to employment background, check writing history, insurance claims, residential or tenant history, or medical history.”

The disposal rule requires disposal practices that prevent reasonable unauthorized access or use of information in a consumer report. “For example, reasonable measures for disposing of consumer report information could include establishing and complying with policies to: burn, pulverize, or shred papers containing consumer report information so that the

information cannot be read or reconstructed; or conduct due diligence and hire a document destruction contractor to dispose of material specifically identified as consumer report information consistent with the Rule. Due diligence could include: reviewing an independent audit of a disposal company’s operations and/or its compliance with the Rule; obtaining information about the disposal company from several references; requiring that the disposal company be certified by a recognized trade association; or reviewing and evaluating the disposal company’s information on security policies and procedures.”

Destruction of county documents must also be made in accordance with the State Archivist rules and applicable employment law.

### What This Means to Counties

If your county uses consumer information, make sure this regulation is being followed. New policies for the handling and retention of that type of information need to be drafted, if they haven’t been drafted already.

For more information, visit the FTC’s website at [www.ftc.gov](http://www.ftc.gov), or call CTSI at 303-861-0507.

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