



***Whitepaper:***

**Document Management for Automotive Dealers  
-  
Customer's Personal Data Protection and Regulatory  
Compliance**

by David Bailey  
January 23, 2012  
Doc# 012312-01

**[www.doculex.com](http://www.doculex.com)**

## **Intended Audience**

This document is intended for auto dealer management and principals who are involved in the policy creation, enforcement and management of your organizations *Information Security Program*.

## **Scope**

Many dealers on a national level are being targeted for identity theft. Each year, nearly 10 million Americans are victims of identity theft, a crime that costs them about \$5 billion a year, the Federal Trade Commission estimates.

The FTC does not offer specific figures for dealerships, but dealerships and their customers are increasingly vulnerable to identity theft.

Security breaches can subject dealerships to consumer lawsuits, federal and state fines and lost sales. Dealerships are attractive targets because of the personal information they collect and lagging efforts to safeguard their customers' sensitive records. With over 10,000 customers, it makes them a prime target for identity theft.

Bruce Townsend, deputy director of the U.S. Secret Service, says, "There is no question" identity thieves are targeting dealerships. The Secret Service investigates ID theft cases. "The information (dealerships) have has value," he says. "It is just as valuable as currency."

Townsend headed the West Tennessee office of the Secret Service from 1997 to 2000. At least a third of the ID theft cases that crossed his desk involved dealerships, he says.

Dealers have a better awareness and understanding of how rampant identity theft is because of the Safeguards Rule, but is everyone where they need to be?

## Customer file protection and authorized access

Document Management Software automates many business functions in the automotive industry, such as managing client or vendor files, employee records, accounting files, proof of delivery and parts orders. Other documents that must be maintained include service orders, including written remarks from the mechanics and warranty work performed.

Legal and privacy requirements mandate that auto dealerships retain deal packets securely for new car sales. These packets typically contain customer finance records, title and lease applications, a driver's license copy, proof of insurance, an odometer statement, red flag report and other support files.

Document Management software such as Archive Studio will provide the safe and secure environment that is required by the ***Safeguards Rule of the Gramm-Leach-Bliley Act, the FTC Privacy Rule and the Disposal Rule***. The Privacy Rule applies to car dealers who:

- Extend credit to someone (for example, through a retail installment contract) in connection with the purchase of a car for personal, family, or household use;
- Arrange for someone to finance or lease a car for personal, family, or household use; or
- Provide financial advice or counseling to individuals.

**Penalties for non-compliance of the Safeguard and Privacy Rule** in fines up to \$10,000 per violation for officers and directors personally liable, and for the financial institution liable, penalties of up to \$100,000 per violation. Criminal penalties include imprisonment for up to five years and fines. If you engage in these activities, any personal information that you collect to provide these services is covered by the Privacy Rule.

**Examples of personal information include someone's name, address, phone number, or other information that could be used to identify them individually. The Privacy Rule applies if you collect personal information about someone in connection with the potential financing or leasing of a car, even if that person does not fill out a formal application.**

**Penalties for non-compliance of the Disposal Rule** can result in consumer recovery of their actual damages sustained from identity theft. Where large numbers of consumers are affected, they may be able to bring class actions seeking potentially massive statutory damages. Courts are also authorized to award punitive damages in either an individual suit or a class action. Finally, a successful plaintiff, or class of plaintiffs, may recover reasonable attorneys' fees. In some cases, the government may bring an action in federal district court for up to \$2,500 in penalties for each independent violation of the rule. The states are also authorized to bring actions on behalf of their residents and, in appropriate cases, may recover up to \$1,000 for each willful or

negligent violation of the rule. As with private lawsuits, moreover, the state may recover its attorneys' fees if successful in such an action."

Helpful link(s)/Source(s):

1. <http://www.ftc.gov/privacy/privacyinitiatives/glbact.html>
2. <http://www.liveoffice.com/regulations/gramm-leach-bliley.asp>

### **What you get by using the DocuLex Archive Studio software and cloud service**

- Customer's personal information will be secure in a digital environment, away from unauthorized employees, vendors and other prying eyes.
- The digital documents are generally recognized as the legal representation of the paper documents, therefore, the paper may be destroyed freeing up valuable storage space and eliminating risk of exposure.
- The client files will always be available in an instant, from anywhere, to any authorized user through DocuLex the WebSearch Document Management software and a secure internet connection, 24/7.
- The client file may be viewed, downloaded or printed by authorized users only.
- An activity log will be maintained on all file activity for the life of the retention policy period.
- DocuLex will electronically shred files after exceeding the legal retention period, pending any legal holds.
- DocuLex will maintain the secure web based application "WebSearch" document management systems infrastructure, updates and data backup's in a SAS-70 certified data facility.
- Client file may be scanned or uploaded immediately into DocuLex WebSearch, without maintaining any local desktop or network software.

### **Conclusion**

There is no such thing as perfect security but dealerships are aware of their responsibility to protect customer data using modern affordable secure technologies. Consider taking the time to explore your security and data protection options. It is possible to deploy quite extensive security measures for only a few dollars per customer over the life cycle of the documents.