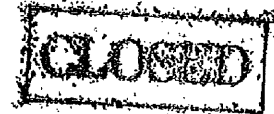


**NATIONAL RAILROAD PASSENGER CORPORATION  
OFFICE OF THE INSPECTOR GENERAL  
OFFICE OF INVESTIGATIONS  
INVESTIGATIVE REPORT**

**TITLE:** Counterfeit Amtrak Coupons  
**CASE NUMBER:** 09-011  
**DATE OF REPORT:** April 23, 2009  
**REPORT PREPARED BY:** SA [REDACTED]

Other Activity (Describe): Closing Report



**Allegation:**

The Office of Inspector General (OIG), Office of Investigations (OI) received an allegation concerning the counterfeiting of Amtrak Guest Rewards (AGR) coupons. The complaint alleges that the counterfeit AGR coupons were being sold on eBay and then were redeemed for Amtrak travel.

**Findings:**

On January 28, 2009, OI interviewed Ed Trainor (Trainor), Amtrak Chief Information Officer, and [REDACTED], in reference to the above-referenced allegation. [REDACTED] stated that he received information from the coupon information corporation (CIC), that people may be utilizing e-Bay to sell counterfeit Amtrak coupons. Trainor gave [REDACTED] permission to purchase two (2) coupons from e-Bay for review.

On January 29, 2009, OI was told that the two (2) afore-mentioned coupons were shown to [REDACTED] Loyalty Programs, who was able to validate the coupons as legitimate. OI interviewed [REDACTED] in reference to AGR coupons. [REDACTED] stated that the coupons appear to be representative of those included in the 2008 AGR select and select plus new member kits. The coupons are printed in booklet form with perforated edges and they are not serialized. [REDACTED] further stated that both the select and select plus members received upgrade coupons within their AGR booklets. [REDACTED] indicated that he researched the person from whom [REDACTED] purchased the coupons off of eBay and discovered that said person was an AGR member.

On February 9, 2009, OI interviewed [REDACTED] a second time in reference to the AGR program. [REDACTED] explained that the AGR program was developed by Carlson Marketing in November 2000. [REDACTED] stated that Carlson Marketing is currently under contract to process enrollments, coordinate partner agreements, mail statements, and maintain a toll-free call center and web site for the program.

[REDACTED] explained that AGR members accumulate guest reward points every time they purchase a ticket. [REDACTED] stated that the AGR program has two (2) member levels. The first level, Amtrak

rewards select, is achieved by earning 5,000 guest reward points in a calendar year. Points are earned every time a ticket is purchased. The second level, Amtrak rewards select plus, is achieved by earning 10,000 guest reward points in a calendar year. [redacted] explained that you receive a packet with a different set of coupons depending on which level the member has achieved.

[redacted] stated that every AGR member has a unique identifying number to track for when they purchase tickets. [redacted] further stated that Carlson Marketing maintains a record on all correspondents that are sent out to the members. [redacted] acknowledged that there is not a unique number on the coupons that would link the coupon with a specific member. [redacted] was asked if the ticket agents are educated on what the coupons look like and if they have samples of the coupons in order to refer to them. [redacted] stated that the tickets agents have access to the information on the coupons that is posted in Arrow; however, this does not include a picture of the coupons.

Comments:

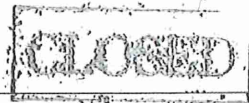
After completing its investigation, OI confirmed that AGR coupons were being sold on eBay, however this office could not verify whether or not said coupons were counterfeit. OI Agents did uncover some needed enhancements to the AGR coupons that were addressed within the management referral sent on March 26, 2009, to [redacted].

On April 21, 2009, OI Agents received [redacted] response (See Attached). As a result of OI's recommendations, [redacted] reported that his department will consider a more effective solution to prevent coupon counterfeiting as part of FY2010 capital project PRJ20103045, automated coupons. This project if approved/funded will among other solutions, facilitate the establishment of unique, single-use coupons codes, that can be delivered electronically or via paper coupons to targeted customers. [redacted] reported that his department fully implemented the recommendation to provide front and back color photos of the coupons to each ticket office for training purposes. [redacted] stated that this recommendation is being implemented for use with the 2009 AGR coupons. The training piece shows exact replicas (color, finish, size) of the front and back of the coupons, as well as a detailed description of the coupon including such things as which of the four sides of the coupon would have perforations, if any. [redacted] further stated that a similar training concept will be issues for the 2010 coupons.

Recommendation:

With the response by Amtrak Management it is recommended that this case be closed pending the development of further information.

Supervisor's Signature: \_\_\_\_\_



Regional Supervisor's Signature: \_\_\_\_\_

Deputy Inspector General/Counsel's Signature: \_\_\_\_\_

*[Handwritten signature]*  
*[Handwritten signature]* 4/27/2009

# Memo



Date April 14, 2009  
 To Special Agent [REDACTED]  
 From [REDACTED]  
 Department Marketing & Sales Promotion  
 Subject Amtrak Guest Rewards Coupons

Message

## RESPONSE TO FINDINGS OF FACT AND RECOMMENDATIONS

### Findings of Fact

The Findings of Fact section of the March 26, 2009 memo on the subject of Amtrak Guest Rewards (AGR) Coupons is for the most part correct. The only nuance that is slightly misstated is that Amtrak Guest Rewards has three membership tiers. Core members or the base tier, Select members (those who have earned a minimum of 5,000 base rail points during a calendar year) and Select Plus (those who have earned a minimum of 10,000 base rail points during a calendar year). Also, Ed Trainor is Amtrak's Chief Information Officer, not Chief Financial Officer.

The Select and Select Plus members receive a new member kit each year for obtaining or retaining their tier status. The coupons described in the Findings of Facts are included in those annual new member kits. These kits are mailed to the members in the month of February. The coupons as described have a validity period of March 1 of the current year, through February 28 or 29 of the following year.

The current coupons do not contain the individual AGR member number. Nor are the coupons serialized since Amtrak reservations/ticketing technology does not recognize promotional coupon serial numbers and decrement the serial number from a valid list of serial numbers upon usage. The coupons do however state in their terms and conditions printed on the backside:

- The coupon has no cash value and is not valid for resale
- Photocopies or reproductions will not be accepted

In addition, due to the requirements of Amtrak reservation and ticketing technology, the usage of the coupons require the customer to make their reservation either via 1 800 USARAIL or via an Amtrak ticket agent. The coupon must be surrendered to an Amtrak ticket agent before the ticket is issued to the customer. It should also be noted that usage of these coupons, both the upgrades

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and companion voucher requires purchase of a ticket (either coach or business class before using the one class upgrade or a regular full fare, senior or disabled discounted fare in the case of the companion coupon). The upgrade is further restricted in actual usage by availability of the accommodation based on the class of service load factor on the requested train.

**Recommendations:**

Management considerations proposed in the March 26, 2009 memo are addressed as follows:

1. Direct Carlson Marketing to include the AGR member's unique account number on their issued coupons. The coupons for 2009 were printed in January, so the earliest any change in production process or format will not occur until that same time period in 2010. The recommendation proposed can be accomplished, however it does add to the cost of production and assembly of the annual new member kits. The estimated incremental costs associated are approximately \$██████. Adding the member account number to the coupon in reality would do little to deter potential counterfeiting. Granted it would give an Amtrak ticket agent an opportunity to validate the AGR member number on the coupon against the AGR member number contained in the reservation. However, members sometimes fail to include their member number when making the reservation. It is also reasonable to assume that an AGR member may give one of their upgrade coupons to a business associate or a family member for use, which could put both the customer and the Amtrak ticket agent in a difficult position of validating the AGR number to the AGR member it was originally issued to, if that member was not traveling with the person they gave the coupon to.

The AGR coupons are currently printed with a 2-color metallic ink, which requires a higher level of print/production sophistication for someone attempting to counterfeit/reproduce these coupons.

An additional enhancement for the 2010 coupon production could also incorporate a unique pattern of finishing varnish. Or, a slightly higher cost production method would incorporate a safety printed pattern, which if reproduced, the word "void" appears. The use of thermal color changing inks or incorporation of a hologram are possible but would significantly increase costs.

The most effective solution to help prevent coupon counterfeiting (AGR or Amtrak coupons at large) is contained in the proposed FY2010 capital project PRJ20103045: Automated Coupons. This project if approved/funded will among other solutions, facilitate the establishment of unique, single-use coupon codes, that can be delivered electronically or via paper coupons to targeted customers. Once the assigned code is entered into the Amtrak reservation and ticketing systems, it will be decremented from

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the series of codes used for the offer and will not function again in the Amtrak reservation or ticketing systems.

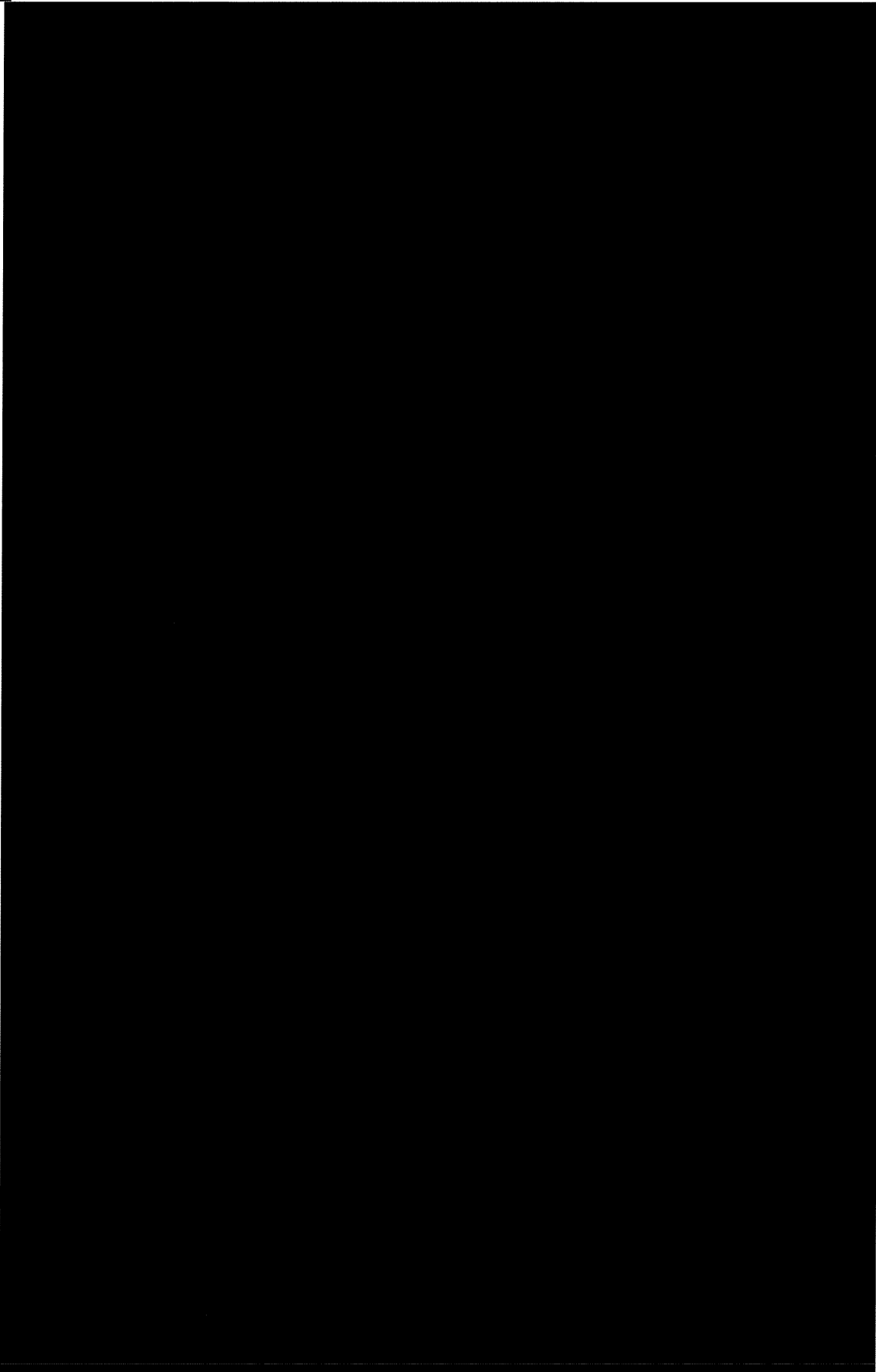
Until such time as this project above is completed, we will incorporate the AGR member number on the AGR coupon in the 2010 production along with continued use of the 2-color metallic ink. In addition, we will integrate the use of the safety printed pattern. Training materials will be produced for ticket agents in 2010 reflecting these changes and will provide instructions/cautions on validation.

2. Provide front and back color photos of the coupons to each ticket office for training purposes, so that employees know what the coupons look like each year including correct color schemes.

This recommendation is being implemented for use with the 2009 AGR coupons. The training piece shows exact replicas (color, finish, size) of the front and back of the coupons, as well as a detailed description of the coupon including such things as which of the four sides of the coupon would have perforations, if any. A sample of this training piece is attached. As stated above, a similar training concept will be issued for the 2010 coupons.

I request permission to disseminate this report to my immediate supervisor, Emmett Fremaux, VP Marketing and Product Management.

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