



Field Investigations and Fraud Prevention Program

Audit Program

The Airlines Reporting Corporation employs a staff of full-time field auditors based in various cities throughout the country. The primary purpose of the audit program is to conduct inspections of the books and records of ARC-accredited Agents, as well as of the traffic documents provided to them, in order to determine compliance with the ARC Agent Reporting Agreement. This activity is conducted pursuant to Section XIV of the Agreement. The principal areas covered during an agency audit are:

- The proper reporting of air transportation sales and ancillary services issued on ARC traffic documents
- Accountability of ARC traffic documents
- Security of traffic documents and airline identification plates
- Proper issuance of ARC traffic documents
- Ownership verification

Agency records normally needed to conduct the audit include:

- Weekly sales summaries and supporting documents covering the past two years
- Related invoices, reservation cards and/or journals
- Voided traffic documents

Audits are assigned on the basis of information developed by ARC and/or received by ARC from carriers, the area banks and, to a lesser extent, other agents.

The auditor will give the Agent reasonable notice, appropriate to the circumstances, prior to commencing an audit. However, due to the nature of the audit function, scheduling logistics, and priorities, a specific time and date cannot always be arranged. The auditor is aware that an agency is engaged first and foremost in servicing its clients, and every effort is made to conduct the audit inconspicuously and without disruption of routine office business. The average audit takes about two days to complete, depending on the size of the agency. Arrangements should be made to provide the auditor with suitable work space in the agency.

In all cases, the auditors must identify themselves with a pictured identification card prior to commencing the audit. If there should be any doubt as to the person's identity, the Agent should call the ARC Audit Section at 703-816-8008, for verification. The auditor will also explain the scope of the audit and identify the documents to be reviewed. If the

auditor needs to copy certain documents, and copying equipment is not available in the agency, the Agent may accompany the auditor to make the needed copies.

The agency audit program calls for person-to-person contact with the Agent in his or her own place of business. The program's success is measured by its contribution toward the maintenance of a sound and uniform agency program and NOT by the number of violations discovered. The ARC auditors are trained professionals, who have complete knowledge of ARC rules and procedures. In addition, their daily exposure to various types of agency operations throughout the country has equipped them to assist many agents with improved record keeping techniques, reporting procedures, etc. For the vast majority of agents who intend to conduct their business in compliance with the ARC Agent Reporting Agreement, a visit by an ARC auditor can be a constructive and beneficial experience.

Fraud Prevention Program

ARC's fraud prevention investigators each have a minimum of 20 years experience in law enforcement before joining the ARC staff. They deal primarily with the theft and fraudulent use of ARC traffic documents and assist law enforcement agencies throughout the world in the investigation and prosecution of such cases. Suggestions on how agents can help minimize the theft of ARC traffic documents may be found in Section 70.2 of this handbook.

Storage of Agent Sales Reports Supporting Documents, and Sales Summaries on Microfiche/Microfilm or Other Optical Storage Media

Section XIV of the Agent Reporting Agreement requires each ARC Agent to retain, for at least two years, a duplicate copy of each weekly sales report and all supporting documents, (i.e., the agent coupons, RENs, credit card charge forms (UCCCFs), settlement authorization forms, calculator tapes, computer print-outs, sales summaries, voids, and other supporting documents). Most Agents satisfy this contractual requirement by maintaining these required documents in the agency location in "hard copy" paper form.

As an alternative to maintaining the sales report and supporting documents in paper format, an Agent may, upon prior written notice to, and written approval by ARC, maintain the required documents on microfiche/film or on an optical storage medium as specified below, under the following conditions.

- (1) The sales reports and all supporting documents must be copied to microfiche/film or to a non-magnetic optical medium that uses a "write-once, read-many" technology which will prevent overwriting the



Section 70.0

stored data (e.g., WORM technology). Certain non-volatile storage medium, such as CD-ROMs, optical disks, DVDs, and laserdiscs, may be determined to be acceptable storage media. However, computer hard drives, zip drives, floppy disks, magnetic tape, and other magnetic media are NOT acceptable.

- (2) Each weekly sales report and all supporting documents stored on microfiche/film or on an optical storage medium must be accessible by an ARC representative or a carrier representative in accordance with the terms of Section XIV of the Agreement.
- (3) A functional reader and copier for microfilm/fiche (and a PC and printer for use with an optical storage medium), which allows for the viewing and reproduction of the entire sales report and all supporting documents, must be available to an ARC representative or carrier representative at the site where the microfiche/film or optical copies are stored and maintained.
- (4) The records that are stored optically or on microfiche/film must be direct, complete, and accurate reproductions of the original sales reports, supporting documents and sales summaries, and easily read and reproduced without loss of clarity. Voided traffic documents, clearly marked as such, may also be retained optically or in microfilm/fiche; be advised, however, that the Agent is ultimately responsible for the use of any traffic documents the Agent reported as voided or destroyed. (See, Section 12, page 3, of the *Industry Agents' Handbook* for information concerning alternative procedures for maintaining records of voids.)
- (5) All stored records must be indexed by sales period ending date so as to be readily accessible to an ARC representative or a carrier representative. Images stored optically also must be retrievable by agency code number, sales period ending date, ticket number and stock control number. Agents using optical disk storage must be able to create an agent coupon image from the stored data on demand.
- (6) An Agent who wishes to maintain its records optically or on microfiche/film, shall submit to ARC, in the form prescribed, a written request by an owner or officer, and provide the following information: (a) the manner in which the records will be reproduced and the specific type(s) of storage media which the Agent proposes to utilize; and (b) the agency location(s) where the sales reports and supporting documents, and the reader(s) and copier(s) will be maintained. The Agent will be

required to affirm that the records maintained are direct and accurate reproductions of the original records (i.e., reproductions of the original agent coupons, sales summaries, and other supporting documents). A copy of the "Request to Maintain Sales Reports on Microfiche/Film or Optical Media" may be obtained from ARC's Fax-Back Service (800-811-1608). Requests should be sent to ARC, 4100 North Fairfax Drive, Suite 600, Arlington, VA 22203, Attention: Director - Field Investigation and Fraud Prevention

Special Note for Agents that Report Sales Electronically Via IAR

- (7) Agents that submit their sales reports electronically via Interactive Agent Reporting (IAR) are permitted to print agent coupon data on non-accountable stock (e.g., mini itinerary documents or plain paper). IAR agents may also have the option of sending the agent coupon data directly to a write-once, read-many, non-magnetic optical medium (e.g., CD ROM, etc). The optically stored images of the agent coupon data must be retrievable by agency code number, sales period ending date, and ticket number. Agents using optical disk storage must be able to create an agent coupon image from the stored data on demand.

Please note, however, that even though an IAR Agent may print the agent coupon data on non-accountable stock or plain paper, or send it to an optical medium, the Agent will be still be required to maintain a copy of each weekly sales report (including the agent coupon data printed on non-accountable paper or stored optically, the original paper copy of all agent coupons for manual traffic documents, and other supporting documents, e.g., UCCCFs) for a period of two years. The stock control number will not be a required data element for agent coupon data which is printed on non-accountable stock or stored in an optical storage medium. IAR agents who wish to store their sales reports on microfiche or an optical medium must follow all requirements in parts (1) through (6) of Section 70.0, except as otherwise noted here in part (7).

[Note: The Agent Reporting Agreement requires Agents to maintain their sales reports and supporting documents for only two years; however, Agents should note that other entities, e.g., governmental or tax authorities, etc., may require such documents and records to be maintained for longer periods of time.]



Request to Maintain Sales Reports and Supporting Documents on Microfiche, Microfilm or on Other Optical Storage Media

NAME OF AGENT: _____
HOME OFFICE ACN: _____

1. STATE THE TYPE OF STORAGE MEDIUM ON WHICH THE AGENT PROPOSES TO STORE ITS SALES REPORTS AND SUPPORTING DOCUMENTS:

- Microfiche _____
- Microfilm _____
- Laserdisc _____
- CD-ROM _____
- DVD _____
- Magneto optical disk _____
- Other _____

2. STATE THE ADDRESS(ES) AND AGENCY CODE NUMBER(S) OF THE LOCATION(S) WHICH THE AGENT WISHES TO STORE SALES REPORTS IN THE FORMAT DESCRIBED IN NUMBER 1 ABOVE (An agent may not retain its sales reports on optical media or microfiche/film until written approval is received from ARC):

ACN: _____ ADDRESS _____
ACN: _____ ADDRESS _____

3. STATE THE TYPE OF READER AND COPIER WHICH WILL BE AVAILABLE TO TO VIEW AND REPRODUCE THE SALES REPORTS AND SUPPORTING DOCUMENTS, AND THE LOCATION OF THE READER AND COPIER (must be available at the site where the reports and supporting documents are stored):

Type of Reader _____
Type of Copier _____
Address where the reader and copier are located _____

4. IF THE AGENT INTENDS TO USE A THIRD PARTY TO CONVERT ITS PAPER SALES REPORTS AND SUPPORTING DOCUMENTS TO MICROFICHE OR OPTICAL FORMAT, STATE THE NAME, ADDRESS AND PHONE NUMBER OF THAT THIRD PARTY:

Name _____
Address _____
Phone _____

I certify that the statements made in this "Request" are true and correct. I acknowledge and understand that in evaluating this Request, ARC reserves the right to request additional information and documentation from the Agent or the Third Party named in Number 4, above, and, as necessary, to conduct an on-site inspection of the Agent's storage medium, readers and copiers. I affirm that the sales reports and supporting documents which will be maintained on the storage medium described in Number 1, above, shall be direct, complete and accurate reproductions of the original records, and such shall be indexed by sales period ending date so as to be readily accessible to, and subject to reproduction by, a representative of ARC or a participating carrier in accordance with Section XIV of the Agent Reporting Agreement. Upon notice to the Agent, ARC may rescind its approval of this Request.

Signature of Owner/Officer _____
Printed Name of individual signing this Form _____
Title of Individual signing this Form _____
Date of signature _____



ARC Traffic Documents Will No Longer Become Obsolete

As a result of the change in business processes for the travel industry (e.g. e-ticketing averaging approximately 97% of all ticket transactions), ARC has made the decision to change the Obsolescence Policy for all ARC Traffic Documents. All ARC Traffic Documents will no longer be subject to the obsolescence policy. The obsolescence policy previously stated that ARC Traffic Documents became obsolete based on the manufacturers Print Year plus 2 years which displayed on all accountable documents. Any ATB stock dated after 2004, will remain valid- it will no longer expire based on the Print Year of the document. Agents will be able to validate and/or issue ARC traffic documents for travel regardless of the Print Year appearing on the traffic document.

The Print Year on ARC ATB documents is displayed in two-digit format in the top left corner.

See example below:

98 200 8225
PASSENGER TICKET AND BAGGAGE CHECK
 SUBJECT TO CONDITIONS OF CONTRACT
 NOT TRANSFERABLE

ARC FLIGHT COUPON

BOARDING PASS

ISSUED BY _____ OF _____ TOUR CODE _____ AGENT CODE _____ NAME OF PASSENGER _____
 NAME OF ISSUING AGENT _____ PLACE OF ISSUE ISO CODE _____ DATE OF ISSUE _____
 NAME OF PASSENGER _____ PNR/CARRIER CODE _____ FARE BASIS/TICKET DESIGNATOR _____ FCI SERV CARR ID _____ FROM _____
 X/O FROM _____ CARRIER FLIGHT CLASS DATE TIME STATUS NOT VALID BEFORE NOT VALID AFTER _____ TO _____
 X/O TO _____ ISSUING AGENT ID _____
 ENDORSEMENTS/RESTRICTIONS _____
 CARRIER _____
 CARRIER FLIGHT CLASS DATE TIME _____
 GATE _____ SEAT _____ SMOKE _____

FARE EQUIV. FARE PD. _____ ALLOW PCS WT UNKCD _____
 TAX STOCK CONTROL NO. TX 889 CK _____ CPN _____ DOCUMENT NUMBER CK _____ PCS WT UNKCD _____ BAGGAGE ID NUMBER _____
 TAX _____
 TOTAL **01234567891**

IT IS UNLAWFUL TO PURCHASE OR RESELL THIS TICKET FROM ANY ENTITY OTHER THAN THE ISSUING CARRIER OR ITS AUTHORIZED AGENTS.

The Print Year on ARC 4 flight manual documents and PTAs is displayed in two-digit format in the top right corner below the document number. See example of a 4 flight manual ticket below:

ENDORSEMENTS/RESTRICTIONS (CARBON) _____ ORIGIN/DESTINATION _____ BOOKING REFERENCE _____ FROM/TO _____
 CONTINUATION TICKET(S) _____ CARRIER _____ FARE CALCULATION _____ **8400:000:000**
 NAME OF PASSENGER _____ NOT TRANSFERABLE _____ ISSUED IN EXCHANGE FOR _____ GATE OF ISSUE _____ PLACE OF ISSUE - AGENCY **98 99 00**
 COUPONS NOT VALID BEFORE 1 2 3 4 ORIGINAL ISSUE CARRIER FORM & SERIAL NUMBER PLACE DATE AGENTS NUMERIC CODE
 COUPONS NOT VALID AFTER 1 2 3 4 TICKET DESIGNATOR _____ TOUR CODE _____
 X/O 1 FROM _____ NOT GOOD FOR PASSAGE _____ CARRIER FLIGHT/CLASS DATE TIME STATUS FARE BASIS ALLOW
 1 TO _____
 1 TO _____
 1 TO _____
 1 TO _____
 1 TO _____
 COMMISSION _____ TAX _____
 FARE _____ TAX _____ TAX _____ ENCODE _____
 EQUIV. FARE PD. _____ TAX _____ TOTAL _____ TAX _____

8400000000 0 0

PRESS FIRMLY - PRINT CLEARLY

IT IS UNLAWFUL TO PURCHASE OR RESELL THIS TICKET FROM ANY ENTITY OTHER THAN THE ISSUING CARRIER OR ITS AUTHORIZED AGENTS.