

# How to Protect Yourself from Becoming a Victim of Carrier Fraud & Cargo Theft

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# HOW TO PROTECT YOURSELF FROM BECOMING A VICTIM OF **CARRIER FRAUD & THEFT**

Carrier fraud and theft is a profitable, billion dollar business in the United States. It is becoming more sophisticated over time as criminals pull new schemes and techniques from their arsenals to trick unsuspecting brokers and shippers.

Stolen shipments and financial theft cause major financial hardship, supply chain disruption, drive up product costs and can cause discord between your company and customers. If you are a shipper and your shipping/receiving departments are not properly trained to understand the potential warning signs for carrier fraud, you could be at risk of falling victim to any number of fraud and and theft schemes.

The following are some of the key types of theft, which occur every day.

# **Stolen Trailers**

Blatant cargo theft is the simplest form of theft. It can happen to the unsuspecting driver, or can be aided by a dishonest employee. Trailers transporting commodities are often stolen while unattended. Truck stops are the most common location for thefts, but they can occur at a rest stop, parking lot or warehouse as well.

# **Fictitious Pick-ups**

In this scheme the thief books a load with a shipper or broker. The thief then hires a legitimate carrier to pick-up that load. They give the carrier a fake location for the delivery point, such as a nearby warehouse, which is different from the delivery point the shipper or broker gave originally. The thief pays the legitimate carrier in cash upon delivery, and the thief now is in possession of the freight.

Another ruse is to have the legitimate carrier drive to a meeting point to rendezvous with the thief's truck, often bearing stolen license plates,



Cargo theft is on the rise. A total of 221 cargo theft incidents were reported during first quarter of 2016, which was an eight percent increase from the first quarter of 2015.

Source: FreightWatch International Supply Chain Intelligence Center's U.S. Cargo Theft Report.

and the thief drives away with the freight after the carrier is paid in cash.

Cargo can also be strategically stolen at the pick-up location by a thief who gains access to the legitimate carrier's appointment time and documents and then arrives shortly before the designated appointment time. Posing as the legitimate carrier, he then is able to drive away with the load.

# What are the hottest commodities?

Food, consumer electronics and apparel are among the most sought after commodities for thieves, and most thefts occur on Fridays and the weekends when it could take a few days to report the theft.

Typically food commodities require a lesser degree of security. So while their value is lower, they are easier targets for thieves.

Source: TIA Framework to Combat Fraud Report.



#### **Fuel Advance Fraud**

Fuel-advance fraud is another means of stealing money from a shipper or broker. The scammer will request a T-Chek or Com-Check, stating that they do not have the necessary cash to move the freight. Once the shipper or broker sends the advance, they steal the money and disappear.

# **Identity Theft**

This happens when a thief steals a carrier's identity by gaining illegal access to their credentials and creates a phony carrier packet. The scammer may also purchase the license and authority from a failed, bankrupt carrier.

Once the phony carrier sets up shop, they start hunting for freight and can commit fraud in a number of ways.

They can pick up the freight the first time and steal it with a truck representing the fake carrier.

They can also broker the load to a legitimate carrier to give the shipper confidence that they are a legitimate business. Subsequently, they book loads with the same shipper after the trust is built, but they steal the freight the second time.

# **Double Brokering**

This is a form of financial theft. The scammer calls a shipper or broker to book a load, sends over his phony credentials, rushes the shipper or broker into booking quickly and offers an attractive, low rate. He then phones up an unknowing carrier and brokers the load to them, offering them an attractive, high rate to pick it up and deliver it. Once the freight is delivered, the scammer quickly calls back to offer the shipper or broker an early pay discount and collects the money. Then, he quickly closes up shop.

Soon the carrier that actually moved the freight, not being able to locate the fraudulent business, comes after the shipper or broker for an expensive freight bill. The shipper or broker is then on the hook for twice what they bargained for.

While fraud and theft are not completely preventable, taking proactive steps to combat them will improve your supply chain security. The following are steps you can take to help mitigate your risk of loss. The first step is awareness. Become aware of these red flags that may signal fraudulent activity is taking place:

- The offered shipping rate is much lower than the going market rate.
- The person contacting you is pressuring you to make a decision without giving you ample time to research their credentials. They often call at the end of the day or the end of the week when you may be desperate to cover a load.
- The carrier claims the load won't be delivered on time because they don't have enough cash to cover the fuel unless they get a fuel advance.
- No caller ID is available. Their number shows as private on the phone. If you can't identify a caller tied to a valid business, don't book the load unless you can do more research to verify the carrier's identity.
- When browsing the internet, you find that the carrier's address only offers a P.O. Box address. Further due diligence should be done.
- Their insurance paperwork looks suspicious an email address that has a company domain that does not match their business name may be suspicious. The insurance company that provides the Certificate of Liability Insurance uses a template to print it. If the font sizes and types do not match, or there are notable typos or misuse of capitalization on the certificate, then further verification may be necessary.
- When checking the carrier's references, if there are only a few new references available or no references at all, another method of due diligence should be followed.

The situations just listed are common and fairly easy to prevent with good communication and due diligence performed if you have the right resources and have experts working at your company, but what if you don't have that luxury?

The good news is that there are experts available to help protect your company against fraud and theft. A **Third-Party Logistics Provider (3PL)** employs trained people who keep up-to-date with the latest fraud schemes and utilize best practices in spotting and preventing fraud and theft.

How do you know which 3PL is most qualified to partner with?





Choose only a reputable 3PL with a proven and established track record of reliability.

3PL companies go in and out of business every day. Only choose a 3PL which has been in business for a long time with a long track record of service, reliability and financial soundness.

A reputable 3PL will have plenty of solid, long-term shipper and carrier references to back up their customer service, trustworthiness and performance. Ideally, the broker will have an A+ rating with the Better Business Bureau. An A+ rating means that the 3PL is operating in a trustworthy manner and will make a good faith effort to resolve any customer concerns filed with the Better Business Bureau.



# Only use a licensed, bonded 3PL.

When selecting a freight broker you should consider it mandatory that the 3PL is licensed with the FMCSA (Federal Motor Carrier Safety Association) and bonded with the industry minimum of \$75,000 to guarantee that they operate according to federal law and regulations, as well as to compensate shippers or carriers in cases of fraud. A 3PL that carries a higher bond amount is more desirable.

A 3PL that is Performance Certified by the TIA indicates the company's commitment to the most

professional industry standards and participation in TIA's guaranteed payment program.



Choose a 3PL with a large network of reliable carriers to choose from.

Another benefit of hiring a 3PL is that they already have a network of approved carriers in their system to choose from. A reputable 3PL will constantly monitor and verify carrier information to protect their customers.



Hire a 3PL with a dedicated, well-trained carrier compliance and monitoring team who manage that process.

Here are some of the daily, consistent checks and balances for safeguarding your shipments, which are used in a strong and thorough compliance and monitoring system:

- Verify operating authority through the FMCSA to make sure the DOT/MC number matches up with the number that the carrier provided and that it shows active status.
- Verify the carrier's contact information. Due diligence should be done to verify phone and fax numbers, address and other vital information. A reliable 3PL will always request that the carrier provide detailed information and a verifiable phone, fax and mailing address.
- Check that the MC has an acceptable safety rating. This involves checking the FMCSA's SAFER (Safety and Fitness Electronic Records) website or the use of a third-party system such as CarrierWatch by DAT Solutions to monitor safety ratings.
- Verify only the most reliable carriers will ship your cargo.

  A 3PL should choose only the most reliable carriers to partner with, to protect the shipper's interests. They should maintain a "do not load" list, which is updated daily.
- Verify insurance. Proof of insurance should always be requested. Insurance documents should be analyzed for inconsistencies. The carrier's insurance should be verified by calling the carrier's insurance agents.

- Check references. Acceptable references could include long-term customers and new customers which they have been doing business with.
- Require written contracts. The compliance process should include asking every carrier, with no exceptions, to complete a written contract. That contract will then be heavily analyzed before acceptance.
- Track fraudulent activities. Maintaining a detailed list of past carrier fraud attempts will help identify fraudulent attempts in the future. The 3PL should also subscribe to a service like CargoNet, which regularly sends alerts on fraudulent carriers, thefts and suspicious activity.
- Communicate regularly with carriers while the load is in transit. Verifying the load has been picked up, noting the time of pick-up, and checking in on delivery status throughout the process will give the shipper and 3PL reassurance that their load is delivering safely and on-time.
- Communicate with the customer. The 3PL should develop security procedures with the shipper, which are reasonable for both parties in preventing fraud. For example, you can ask the customer to check that the MC and DOT number on the truck matches the carrier that is supposed to pick-up the load or that they call you if a load is picked up much earlier than the designated appointment time. Or, they can make sure to verify that the pick-up or purchase order number on the carrier's paperwork matches the purchase order in the system.
- Collect detailed information to help the shipper make a police report in case of theft. A 3PL can guide you through this process if you ever need to file a report.

# Summary

Preventing carrier fraud and safeguarding your company from financial loss, damaged credibility and a disruption in the flow of goods between your company and your customers takes dedication, time and labor to accomplish successfully using your own company's resources.

Partnering with a reliable 3PL that has implemented proven, strict procedures and employs the most experienced personnel to safeguard their customers' shipments is by far your best bet against preventing your company from falling victim to carrier fraud and theft.



"FreightWatch International Supply Chain Intelligence Center's U.S. Cargo Theft Report," Q1, 2016.

"TIA Framework to Combat Fraud," 2015.

TIA Webinar: "Confronting Freight Brokerage Theft," September 14, 2016.



For more information, call (800) 742-2053



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