

Fraud in the Supply Chain



Purpose of Whitepaper:

The purpose of this whitepaper is to assist TIA members in developing and implementing their own individual carrier selection policies and procedures to potentially weed out bad actors. The ideas and information, and areas suggested for review contained in this whitepaper, represent merely one set of potential identifiers among many others that TIA members may turn to as sources of information on carrier selection.

The whitepaper is not designed, not intended, and not recommended to be a checklist, or any type of industry "standard," nor a characterization or summary of industry standards, nor a collection of "minimum" thresholds for the selection of motor carriers. In fact, not a single company or individual in the membership performs, recommends performing, intends to perform, or can even justify the application of most or all the tasks and/or areas suggested for possible review as outlined in this whitepaper. Most of the areas suggested for possible review in this whitepaper are specific to certain scenarios which may present themselves from time to time during carrier selection and/or during periodic carrier review.

Nothing in this whitepaper is intended to be nor should be used as legal advice or as a substitute for legal advice, which each member should obtain from qualified counsel familiar with the member's business and laws applicable to it. The whitepaper is not intended to define or prove compliance or non-compliance with any legal standard of care or diligence, and it should not be used or relied upon by anyone for any such purposes. This whitepaper is understood by TIA to be a "working draft" and an evolving document.

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Background of Unlawful Brokerage Activities

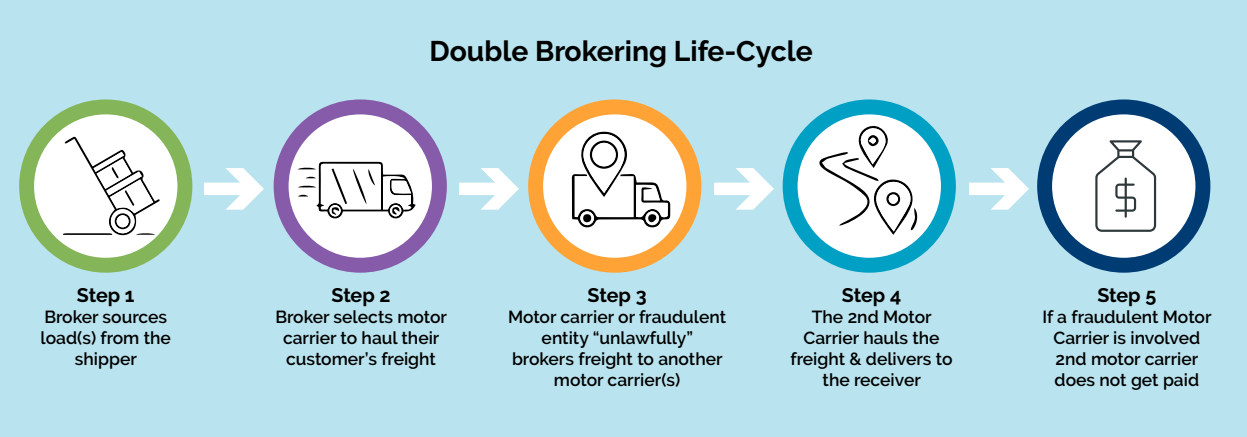
The issue of unlawful brokerage activities or commonly referred to as “double brokering” is not a new phenomenon in the transportation industry.

This has been an increasing problem since roughly 2008 that brokers, motor carriers, shippers and consumers have had to deal with since its inception. The attached flow chart shows the “life-cycle” of double brokering and the players that are involved in the transactions. Essentially, a motor carrier is selected to haul freight, and unbeknownst to the shipper or broker that selected that motor carrier, the freight is re-brokered (potentially several times) to other motor carriers to haul the freight.

Based on our experience, the act of double brokering is commonly done for two reasons, first a motor carrier may lack sufficient capacity and quite frankly cannot haul the freight that it contracted to haul. Instead of going back to the broker or shipper, the motor carrier would re-broker the freight to another motor carrier who might have capacity to haul it. The other scenario perpetuates a fraud, as the original motor carrier

is a scammer and does not own trucks to begin with and masquerading as a motor carrier. The broker or shipper would select the motor carrier, or in this case scammer, and the scammer would repost the load (usually for more money than the original load) and double broker the freight out to be hauled. The second motor carrier that hauls the freight delivers the load, but never gets paid for their service and inquires with the original broker or shipper on the bill of lading as to payment. To that carrier’s surprise, the broker or shipper does not know who this motor carrier is and often double payment (to the scammer and the motor carrier) would be required. All parties involved are hurt by double brokering.

TIA Members have been reporting cases of double brokering to the Federal Motor Carrier Safety Administration (FMCSA) since the signing into law of MAP-21 in 2012, which defined the role of brokerage and clarified that authority is



required to broker freight. At the end of 2021, the FMCSA reported to TIA staff that tens of thousands of reports existed in the National Consumer Complaint Database (NCCDB) that had a broker component, many of which dealt specifically with this issue. Unfortunately, the U lack of enforcement from the FMCSA has created a perfect storm for scammers and fraudulent actors to thrive. It has been

reported that the Glendale gang based out of Glendale, California, which has become a serious sophisticated fraud ring, has double brokered more than \$300 million dollars in freight value. That is an alarming figure, that drastically hurts safety of motor carriers, the American economy, and the freight industry on a whole.

You can file your complaint with the NCCDB here: <https://nccdb.fmcsa.dot.gov/nccdb/home.aspx>

Safety Concerns & Examples

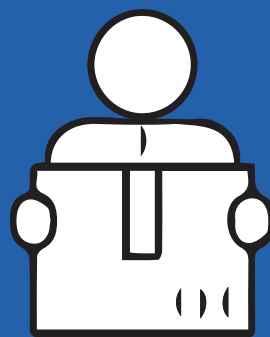
Safety Example #1:

A broker selects a legitimate motor carrier with a good safety record to haul their customers' freight, but the motor carrier doesn't have the capacity to haul the freight. Rather than tell the broker that they don't have capacity, the motor carrier instead double brokers the load back out to another motor carrier who may not have a safe driving record. This scenario could lead to more unsafe drivers on the road, who wouldn't typically be hired by a broker conducting due diligence. This can also cause liability challenges making it harder to determine who is liable for the crash.

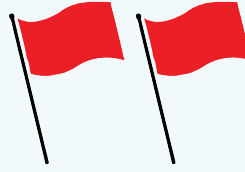


Safety Example #2:

A broker selects a motor carrier that appears to be a new entrant, but there isn't much data on them. This can be a common problem as 91% of motor carriers are unrated. The motor carrier, while appearing to be a real company, is actually fraudulent and illegally re-brokers the load out to another motor carrier who doesn't have federal authority or insurance. This scenario can lead to more unlicensed carriers on the road operating without insurance.



Double Brokering Red Flags



1. **Recently activated authority.**
2. **Multiple recent address changes (and huge jumps across the country in address changes).**
3. **The insurance certificate policy for all equipment are missing or not produced.**
4. **Motor Carriers with a P.O. Box**
5. **Driver/Dispatch refusal to give out driver cell number.**
6. **Refusal to track on tracking apps.**
7. **Double brokering reports via TIA Watchdog and other carrier vetting services**
8. **Requesting a lesser rate than the posted amount.**
9. **Operates in a suspected double brokering hot spot.**
10. **No or disproportionately low vehicle/driver inspections compared to power units reported on MCS-150 (check the numbers at <https://safer.fmcsa.dot.gov>).**
11. **Request for quick pay, especially if you have not used a particular carrier before.**
12. **Discrepancies on the number of drivers, equipment, and number of miles.**
13. **Carrier claims that driver's are "owner-operator lessors" - could be true.** The best way to check is the placard on the side of the truck. It must display the name and USDOT# of the carrier arranged by broker. Often requires shipper assistance.
14. **Carrier has small number of trucks, plus broker authority.**
15. **Carrier affiliated with another company via address, phone, etc. that has broker authority.**
16. **Carrier cannot report on location of truck or claims truck needs repairs and won't give name of shop or location.**
17. **Discrepancies in emails or use of @gmail or other email accounts** (e.g. using dispatchabctransport@gmail.com, instead of dispatch@abctransport.com or dispatch@abclogistic.com, rather than dispatch@abclogistics.com (leaving the s off logistics) or other spoofed emails. These typically indicate that someone is impersonating the carrier with whom you believe you are dealing.

18. **A carrier using a dispatch service.** Not all “dispatch services” are involved in double brokering, but some have been linked to southern California or other double brokering groups, and some have a list of carriers they use interchangeably after the load has been tendered, resulting in a different carrier than is expected delivering the load. In addition, if a dispatch service is procuring freight for multiple carriers, that can be construed as double brokering as well.

19. **Carriers using a virtual office space to register as a carrier in a state they do not reside.** UPS/Fed EX/shipping center as a business address.

20. **Cross-referencing the number of Power Units** registered with FMCSA against the total invoice count and payment volume being settled, in aggregate, across hundreds of 3PLs could provide an indicator of double brokering if the velocity of those invoices/payments is far higher than the number of Power Units could realistically command.

21. **Vet Notices of Assignment where applicable can catch fraudulent factoring companies trying to establish themselves.** These fraudulent factoring companies (like many from the Glendale, CA ring) try and place Notices of Assignments with factoring companies and banks on behalf of Carriers that are often also fraudulent/double brokering.

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TIA members are able to establish and protect ethical, profitable and growing businesses in service to their customers. TIA is the only organization exclusively representing third-party logistics companies doing business in domestic and international commerce. TIA is the United States member of the International Federation of Freight Forwarder Associations. (FIATA).

The Voice of Third-Party Logistics

Learn more at [tianet.org](https://www.tianet.org)



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