



Freight fraud

It's prudent to stay wise to double brokering, ID theft and other freight-related scams

BY CURT KIPP

The freight industry is an ocean filled with many fish. Operators of all sizes stand ready to move products to market — including trees and plants. Just one problem.

The ocean also has sharks.

These unethical predators work a variety of angles, threatening to victimize the shipper who sends product, the buyer who receives it, the carrier who moves the load, or the broker who makes the arrangements. When a fraud is successfully executed, somehow someone will end up paying the price.

Freight fraud exists in many forms. There's the classic but ever-more-prevalent double brokering scam. There are identity thieves. There are the occasional carriers that hold the load hostage, demanding more payment. And there are even crooks who acquire the online logins for legitimate companies, change their contact

information, and intercept the business that is meant for someone else.

According to Cory Kinnaman, owner of third-party logistics (3PL) provider **Truck Transport Services** (Wilsonville, Oregon), working with known and proven companies is the best protection against these threats. After all, things have only gotten worse now that people are increasingly doing business online.

“Knowing who you're dealing with, having a relationship with whoever you're hiring to do your transportation for you, is paramount,” he said. “Email and text are great — they save time — but there are certain situations where you still need to have a face to face and a phone call with your customers, and a relationship.”

According to Joel Mandel, a freight broker with **Northland Express Transport** (based in Grand Haven, Michigan, with a West Coast base in Troutdale, Oregon), it's always best to stick with brokers and

3PLs that have strong anti-fraud protocols in place.

“It's amazing how many brokers are out there who don't screen and they're OK with just putting anyone on the road,” he said.

Brokers and shippers are particularly vulnerable in a time crunch or in a tight market, where diligence can take a back seat. “A lot of these best practices end up getting missed, because they're just concerned about getting the volume,” Kinnaman said.

Double brokering

The way that brokers or 3PLs work, you hire them and they then find a carrier to move your load at a price you can agree to. The carrier delivers your load, and the broker takes a cut of the payment for finding them. All is well and good.

When the supposed carrier then brokers the load to yet another com-



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pany, unbeknownst to the customer, that's where double brokering has occurred. There can be any number of layers — triple brokering, quadruple brokering, and so on. While this can be legitimate when disclosed, it is illegal when not disclosed — and risky.

Some of the companies involved in double brokering pocket the money and never pay the carrier actually delivering the load. Many of these companies only exist on paper. They vanish, only to reappear under new names to perpetuate the same scam again.

When the actual carrier isn't paid, they will often go back to the 3PL that booked the load, or the owner of the shipped goods, and demand payment. If they haven't been paid, that is their right.

Kinnaman has had situations where he paid twice. Once to the carrier he contracted, and once to the carrier who moved the goods. This preserves his relationship to the shipper because otherwise, the shipper or his end customer would be paying.

Identity theft

Like pickpockets in Paris, identity theft and phishing of all kinds are rampant all across the internet. However, there are particular grifts targeting the freight industry — some targeting the shipper, others the carrier or broker.

For example, they might send fake emails posing as someone you know or already do business with — and some of the fakes can be convincing. “[It can be] just a one letter difference on the email address,” Mandel from Northland Express said. “Everything else can be lifted. A company logo, a phone number, everything can be lifted.”

The fraudulent email might want payment. “[They’re] looking for financial info from the get-go,” Mandel said. “Emails that

say they changed their banking info and could you send us your routing and account.”

Related is the idea of impostor carriers. Carriers and shippers often make use of online freight boards. Carriers can find loads there, and shippers can find carriers.

The arrangement can be convenient, especially when someone has an urgent need to fill. However, problems ensue when companies aren't who they say they are.

The company may only exist on paper, or they have somehow acquired someone else's login and taken over the account.

Some of the companies you see on freight boards are, of course, straight-up fly-by-nights. “Anybody can sign up as a user on a load board, see legit loads, and then act as a man-in-the-middle or fake documents,” said one Reddit user on a freight industry board.

One way to confirm the legitimacy of a carrier

is to check their motor carrier authority number, or MC number. These are granted the U.S. Motor Carrier Safety Administration (MCSA) and show that the company is authorized to carry loads. Every carrier you do business with should have one.

But be careful. Bad actors have been known to acquire existing MC numbers, through theft or other means, and give themselves the appearance of a track record they don't legitimately possess.

Kinnaman has seen it happen. “Someone offered to buy our 67-year-old driver's MC from him for thousands of dollars,” he said. “They figured he was about to retire. It would look clean. It would look fantastic, because he's been in business for so many years.”

Load thefts

In addition to double brokering,

impersonation and other forms of fraud, occasionally shippers will encounter straight-up theft. Someone will catch wind of a load ahead of time and be gone with it before the intended carrier even shows up.

Mandel used to ship high-value electronics before he shifted to handling primarily nursery goods. Electronics truckloads could easily be worth more than \$1 million, so he had to guard against possible theft.

Kinnaman knows of a case where someone combined identity theft with load theft. They began by impersonating a carrier on a freight board. “They logged in to someone's account, changed his W9 info, his [MC] authority info, his contact info, everything,” he said.

They then ripped off the carrier's customers by accepting loads and vanishing with them.

“It turned out there had been 15 loads booked in his name and all were stolen,” he said.

Nursery truckloads are less prone to this type of load theft, because it's less lucrative. It's rare that a nursery load is worth more than \$100,000.

Confirm, confirm, confirm

Fraudsters in transportation invariably take advantage of the fungibility of freight services and the anonymity of the arrangements, particularly in this digital age.

A legitimate carrier will have the following things, all of which can be checked:

Motor Carrier Authority, or MC number. This number is required under federal law. According to DAT Freight & Analytics (Beaverton, Oregon), it “means that a trucking company has legal authorization from the Federal Motor Carrier Safety Administration (FMCSA) to get paid for transporting goods across state lines via their own trucking company and own vehicle.”

Insurance. They need a cargo policy, not just a liability policy. It's not a bad idea to call in to the insurance company listed to confirm it. Make sure the policy covers the at least the full value of the load. Some carriers try to get away with



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**— Cory Kinnaman,
owner of Truck
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It doesn't hurt, either, to confirm that the right truck arrived. Mandel has gone as far as to obtain the vehicle identification numbers (or VIN numbers) of arriving trucks. "I'm not going to sign up a carrier until they give me their VIN number," he said.

He provides that info to the shipper so they can confirm arriving trucks.

If concerned about the whereabouts of your load, one option is to use disposable GPS/temperature load monitors, such as Sensitech TempTale GEO Eagle Monitors. These cost under \$50 each. They track the load's location, route trail and temperature, and provided alerts. Considering the value of the load, it can be a worthwhile expense.

According to Kinnaman, the good news is that the nursery industry is safer than most when it comes to freight fraud. This is because nurseries, carriers and 3PLs work together consistently. They know and trust each other.

"Nurseries are one of the last industries, where it's still about relationships," he said. ☺

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