



State of Fraud in the Industry 2024 Report

Report findings reveal extent of the threat,
financial impact, and critical steps the industry
must take to protect itself



The logistics and transportation industry is under siege from increasingly sophisticated and organized fraud schemes. With a dramatic rise in incidents reported by third-party logistics companies, the need for heightened awareness and robust countermeasures has never been more urgent. The findings from the TIA Fraud Report Survey reveal the extent of the threat, the financial impact on businesses and the critical steps the industry must take to protect itself. This report provides a detailed examination of the current state of fraud in the industry, offering insights into the most common types of fraud, the regions and commodities most affected, and the strategies companies are employing to mitigate these risks. As the trusted voice for third-party logistics companies, TIA is at the forefront of this battle, providing leadership, resources, and advocacy to help its members navigate these challenging times.

Purpose of the Report

The logistics industry is at a pivotal moment. With the rapid increase in fraudulent activities, it has become essential to understand the scope and impact of these crimes. This report aims to provide a comprehensive overview of the current state of fraud within the industry, informed by the experiences of TIA members and supported by extensive survey data. By shedding light on the nature and impact of these fraudulent activities, this report seeks to arm industry professionals with the knowledge and strategies needed to protect their businesses and the broader supply chain.

Fraud has become an increasingly sophisticated and pervasive issue within the logistics industry. As criminal methods evolve, so too must the strategies employed by companies to protect themselves and their clients. This report provides a snapshot of the current landscape, offering a critical look at the challenges and opportunities in combating fraud.

The Current Landscape of Fraud in Logistics

Overview of Fraud Types

Cargo Theft: The most prevalent form of fraud, cargo theft, has seen a dramatic increase, with sophisticated schemes such as strategic cargo theft becoming more common. According to the TIA Fraud Framework, there was a **600% increase** in cargo theft between November 2022 and March 2023.

Financial Theft: Financial schemes like unlawful brokerage and fraudulent invoicing are becoming increasingly common, with criminals exploiting gaps in the supply chain to steal funds and merchandise. Survey data reveals that **unlawful brokerage scams** were identified as the most common type of fraud, with **43% of respondents** marking it as their primary concern.

Identity Theft: Criminals are impersonating legitimate companies, using stolen identities to commit fraud. This type of fraud often leads to significant financial losses and damage to a company's reputation, with **17% of respondents** noting spoofing emails and another **11%** citing identity theft as their top fraud concerns.

Internal Theft: Employees within a company may also engage in fraudulent activities, further complicating prevention efforts.

Data/Information Theft: Cyber-attacks targeting sensitive company information are on the rise, with hackers using this data to execute more complex fraud schemes.

Trends and Statistics

High-Risk Areas: Specific states, particularly **California, Texas, Illinois, Georgia** and **Florida**, are identified as having the highest incidents of theft. These areas are key logistics and transport hubs, making them prime targets for criminals.

Targeted Commodities: The most commonly stolen goods are **electronics, solar panels** and **household goods**, which are targeted due to their high value and ease of resale.

Impact on Businesses: The average gross cost of fraud reported by respondents was **\$402,344.47**, with an approximate per-load cost of **\$40,760.17**. The rise in fraud is not just a financial burden—it also increases the cost of goods, affecting the entire supply chain and ultimately impacting consumers.

ROB HOFFMAN | DEDICATED CARRIERS INC.

Rob Hoffman, CEO of Dedicated Carriers, faced a harrowing experience with unlawful brokerage and ransom demands. Criminals intercepted one of his loads and threatened to steal more unless a \$40,000 ransom was paid. Despite his familiarity with the unlawful brokerage schemes, this was the first time his cargo was held hostage. The incident, which involved the theft of \$50,000 worth of yogurt and plant-based milk, highlighted the severe vulnerabilities in the logistics system. Hoffman's story was profiled in a March 2024 Wall Street Journal article, showcasing the real-world consequences of fraud in the industry.

Survey Data Analysis

Prevalence and Impact of Fraud Across the Industry

Primary Target of Fraud: Truckload freight is overwhelmingly the primary target of fraud, with **98% of respondents** identifying it as the most vulnerable mode. This is a crucial insight, as it highlights where companies should focus their preventive efforts.

Frequency of Fraud Types: unlawful brokerage scams were identified as the most common type of fraud, with **43% of respondents** indicating it as their top concern. This was followed by spoofing (17%) and identity theft (11%). The prevalence of these types highlights the need for specific strategies tailored to counter each threat.

Multiple Fraud Types: Eight types of fraud were shared in the survey and respondents were asked to indicate any and all that they experienced: spoofing, unlawful brokerage scams, fictitious pickups, phishing, identity theft, email/virus, inbound phone calls, and text messages. A significant number of respondents—**72%**—experienced at least three different types of fraud. This indicates that many companies are dealing with a multifaceted threat that requires a broad range of preventive measures. Additionally, 64% of respondents experienced at least four types of fraud, and 7% reported experiencing all eight types listed in the survey. This diversity in fraud experiences underscores the complexity of the challenges faced by the industry.

BLAIR HUTSON | CBT INC.

Blair Hutson's experience with identity theft underscores the challenges of modern fraud prevention. Having been in the business for 20 years, Hutson has seen identity theft as a persistent issue, but technology is now making it even more widespread. Last year, a phishing scam allowed criminals to gain access to his company's load board account, enabling them to post fraudulent freight listings under CBT's name. In just three hours, five loads were moved under false pretenses, demonstrating the speed and sophistication with which fraudsters can operate. Despite the severity of these incidents, Hutson notes that it's just not a priority for law enforcement, emphasizing that it's going to take an industry-wide effort, led by associations like TIA, to effectively combat this issue.

Financial Impact

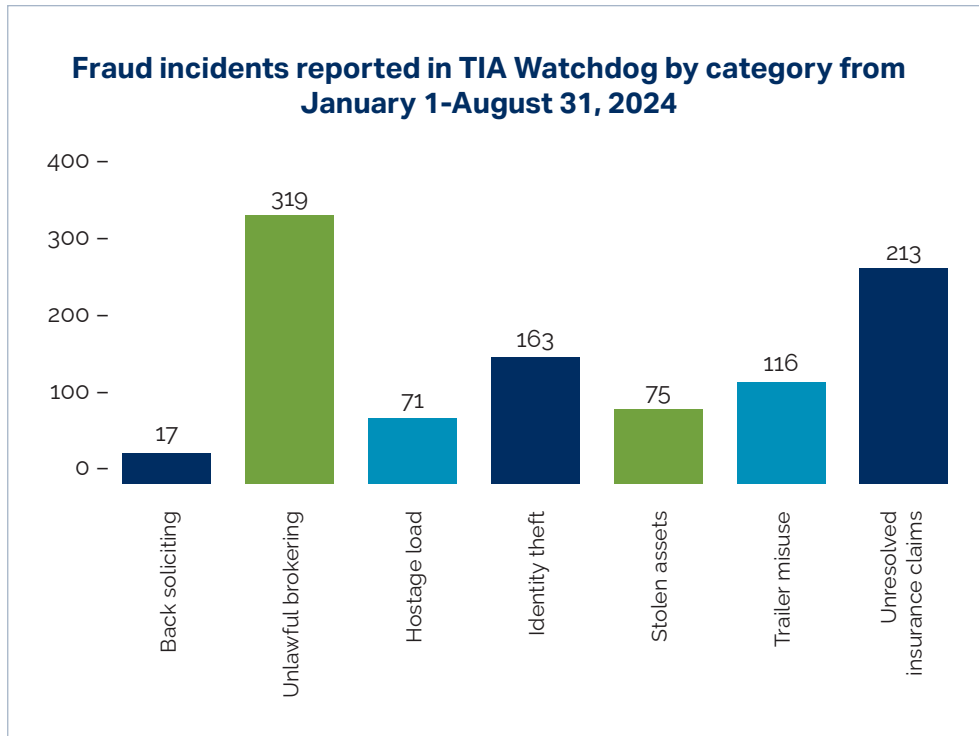
The TIA Fraud Report Survey data reveals the staggering financial impact of fraud on the industry. According to the survey data, companies are losing hundreds of thousands of dollars annually to fraud. The average gross cost of fraud among respondents was \$402,344.47, with some companies reporting losses well over \$1 million, with the per-load cost of fraud averaging \$40,760.17. These figures highlight the severe financial strain that fraud places on businesses, particularly smaller companies that may struggle to absorb these losses.

Beyond the immediate financial losses, companies are also spending considerable resources on fraud prevention. Survey respondents reported investing heavily in new technologies, training programs and insurance coverage to protect themselves against fraud. These efforts, while necessary, represent a significant additional cost, further straining the financial health of companies already dealing with the fallout from fraud.

Fraud Prevention Efforts

Survey respondents reported spending significant amounts on fraud prevention, with **94% of respondents** detailing the measures they have in place to combat fraud. These efforts include investments in new technology and systems to monitor and verify carrier legitimacy. There are several industry-leading technology companies tackling this issue that can be found in the TIA directory. Common practices involve checking how long a carrier has been in business, verifying information through Secretary of State websites, confirming DOT registration, and ensuring that phone numbers and email domains are valid.

TIA Watchdog is a critical service provided for members to report and share information about fraud incidents. Between January 1 and August 31, 2024, TIA Watchdog received 974 reports across various categories, including 319 cases of unlawful brokering, 163 instances of identity theft, and 71 reports of hostage loads. This platform allows TIA members to quickly alert others about potential risks, helping to prevent future incidents and enabling more informed decision-making when selecting partners.



Despite these extensive precautions, many companies still fell victim to increasingly sophisticated criminal tactics. The need for constant vigilance and the continuous updating of prevention strategies is clear, as fraudsters adapt and find new ways to exploit vulnerabilities.

What carrier vetting and risk mitigation steps does your company engage in to prevent/mitigate fraud?

"We utilize two vendors that support the process. We have a dedicated carrier onboarding/carrier risk team."

"We subscribe to multiple vetting services. We require e-signatures on all rate confirmations. We prohibit sending rate confirmations to email addresses that are not validated by our vetting services."

"DOT registration and compliance, require signed proof of delivery and other supporting documents, verification calls."

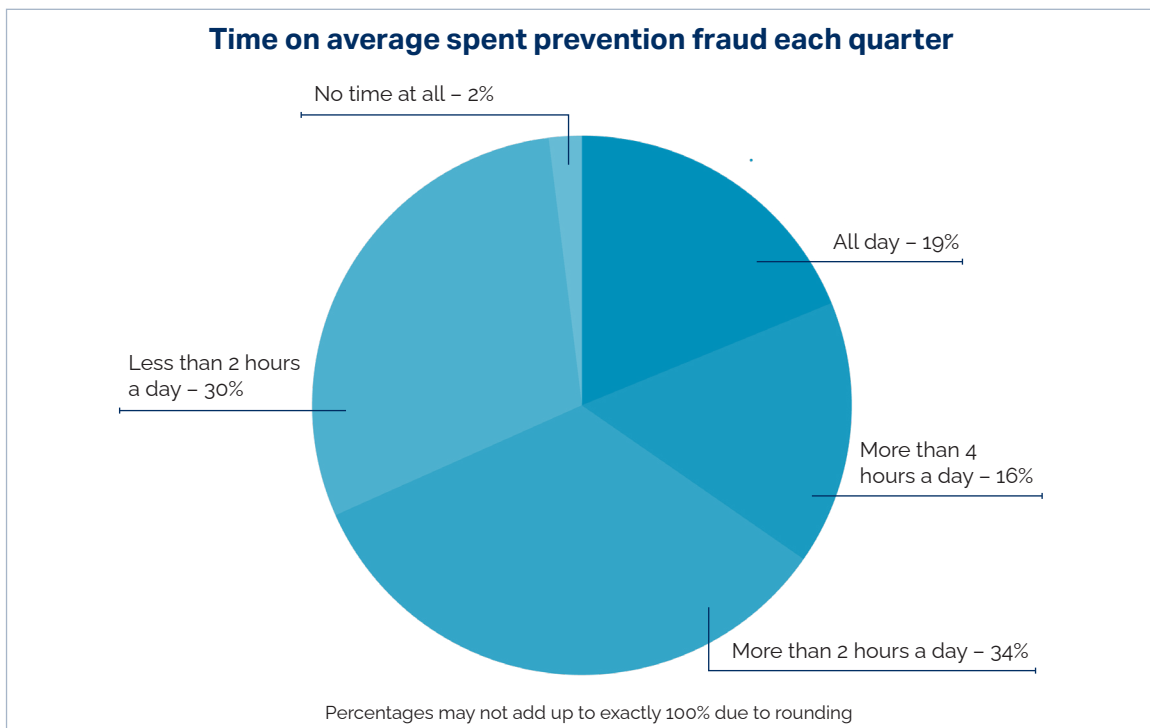
DEANNE JACKSON | WHITE ARROW

With 28 years of experience, DeAnne Jackson has witnessed the evolution of fraud from low-level crime to highly organized operations. Her company, White Arrow, has been particularly proactive in combating fraud, using a variety of tools and resources to verify carriers and prevent theft, including EIN tax matching, fraud checks, BIN numbers and more. Jackson emphasizes the critical role that carriers play as the first line of defense and advocates for greater education and collaboration across the industry. However, she acknowledges the harsh reality that fraud is here to stay and likely won't ever be fully eradicated. What was once a centralized issue has now spread everywhere, with criminals becoming increasingly sophisticated. They use fake driver's licenses, create counterfeit MC stickers, and are highly skilled at using technology like Photoshop to forge documents, keeping up to date with the latest advances.

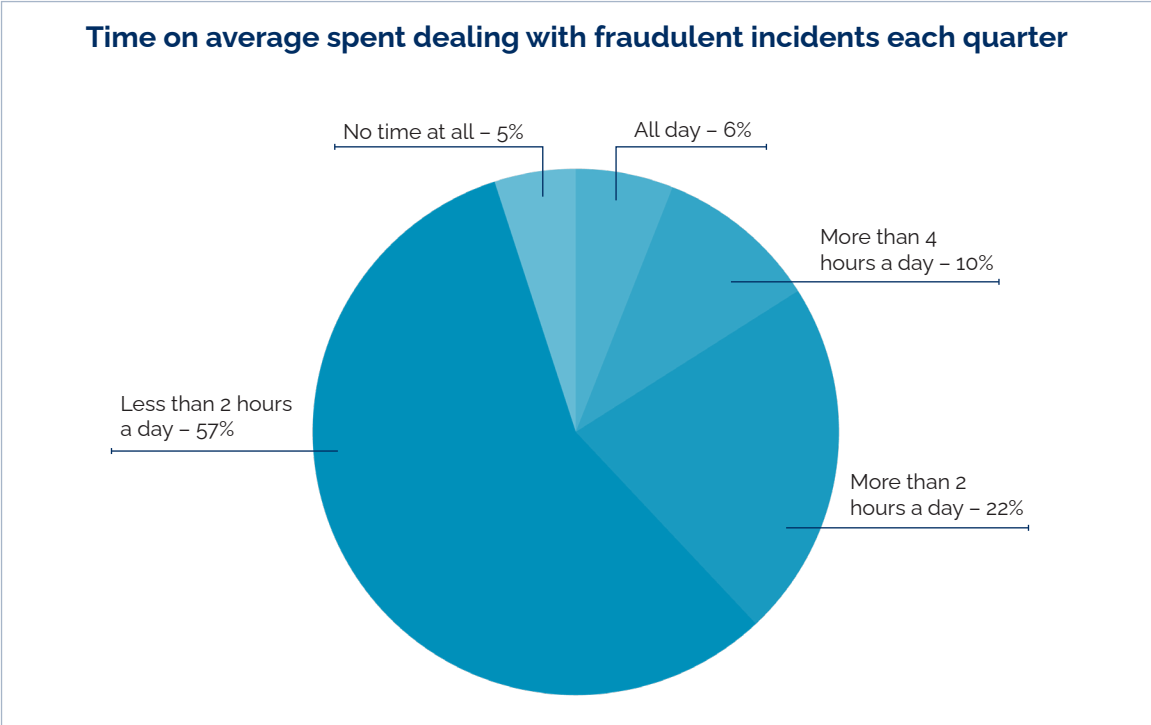
Time Spent on Fraud Prevention

The time commitment required to prevent and deal with fraud is another critical concern. Companies are dedicating substantial resources to monitoring, verifying, and responding to fraudulent activities, which diverts attention from other essential business operations. This not only affects productivity but also increases operational costs.

According to the TIA Fraud Report Survey, nearly 1 in 5 (19%) respondents indicated that they spend an entire day each quarter on fraud prevention, while 16% reported spending more than 4 hours a day, and 34% said they dedicate more than 2 hours a day to these efforts. Even those who spend less than 2 hours a day on fraud prevention make up a significant portion, with 30% of respondents indicating this level of commitment. This considerable time investment in monitoring, verifying, and responding to fraudulent activities diverts attention from other essential business operations, affecting overall productivity and increasing operational costs.



Dealing with successful or attempted fraudulent incidents also demands significant employee time. The survey revealed that 6% of respondents spend an entire day each quarter handling these incidents, 10% spend more than 4 hours a day, and 22% spend more than 2 hours a day addressing fraud. The majority, 57% of respondents, reported spending less than 2 hours a day, but even this represents a significant ongoing commitment of resources. The cumulative effect of these efforts underscores the substantial burden that fraud places on companies, both in terms of time and financial resources.



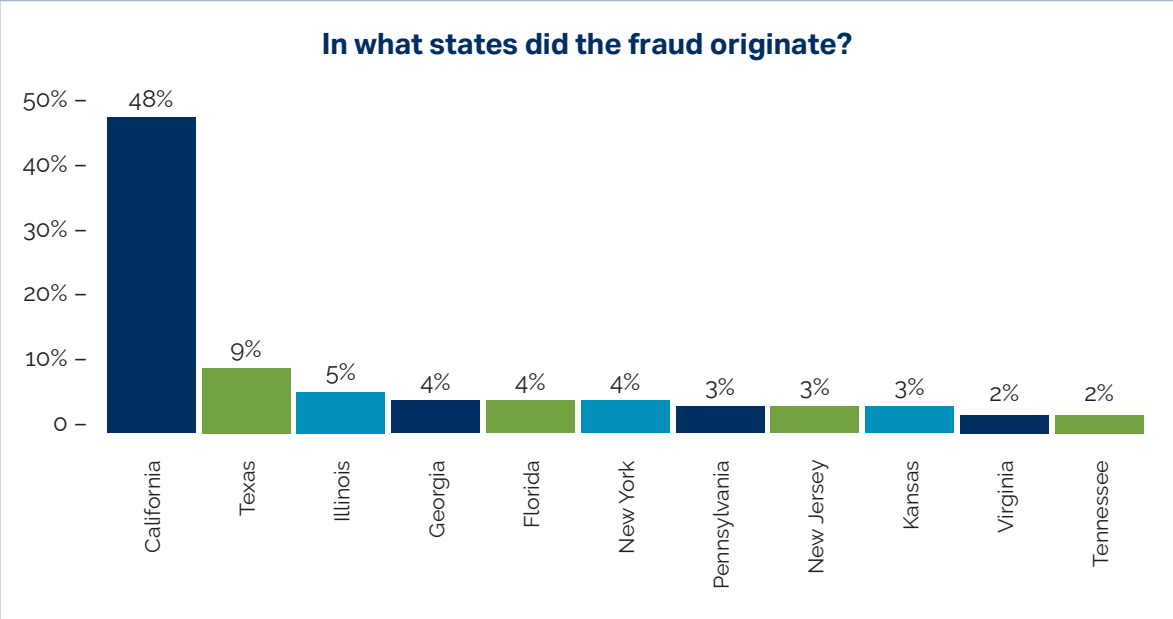
LARRY MULLIN | TALON FREIGHT SERVICES

Larry Mullin's experience highlights the financial and operational toll that fraud prevention can take on small businesses. This year, his company only had one load of shingles stolen from one of their carriers, which was fortunately covered by insurance. Aside from this incident, they have not fallen victim to fraud or unlawful brokerage, thanks to diligent efforts to catch fraudulent attempts before the loads were picked up. However, the preventive measures come at a significant cost. Mullin estimates that they spend more than \$20,000 per year on mitigating risk, which includes investments in new technology, time spent on training, handling claims, re-covering loads and maintaining subscriptions to carrier monitoring services.

For a small company with just 11 employees operating in an industry with already low profit margins, these additional costs are crippling. Mullin's story is a powerful reminder that while prevention is crucial, it imposes a financial burden that can be particularly challenging for smaller companies to bear.

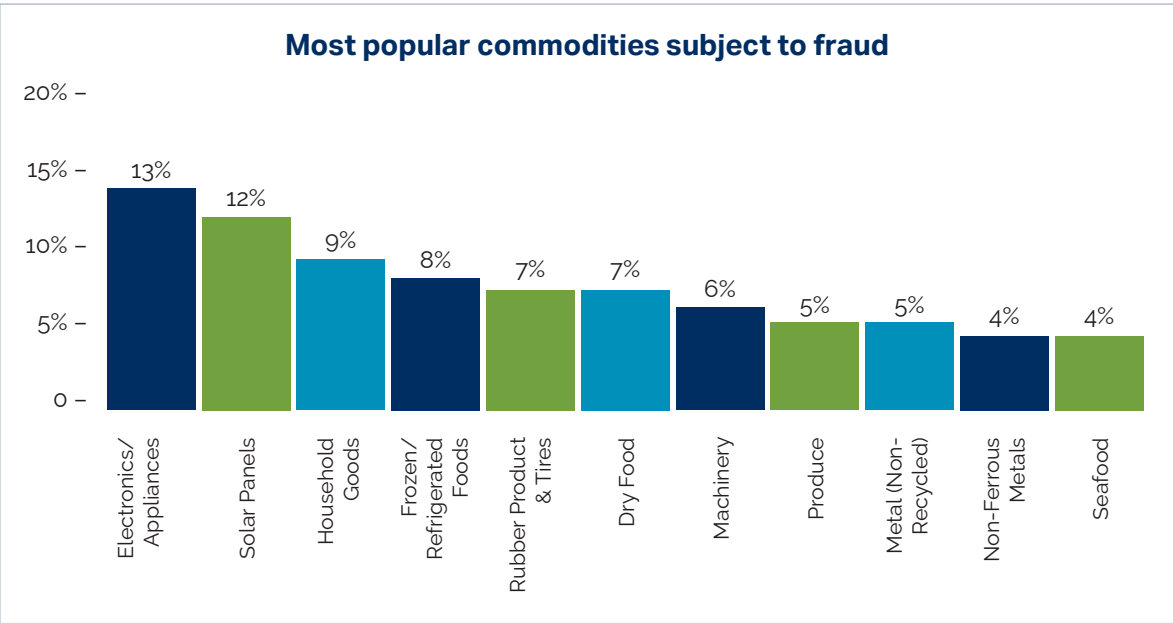
Geographic Distribution of Fraud

The survey data indicates that certain regions are more prone to fraud than others. California, Texas, and Illinois emerged as the top states where fraud incidents originate. This geographic distribution aligns with the areas identified in the TIA Fraud Framework, reinforcing the need for targeted fraud prevention efforts in these high-risk regions.



Commodities Most Affected

The survey highlighted that electronics and appliances, solar panels, household goods, and frozen/refrigerated foods are the most commonly targeted commodities. These items are not only valuable but also relatively easy to resell, making them attractive to criminals. Companies dealing with these goods must implement extra security measures to protect their shipments.



Strategic Recommendations

Best Practices for Fraud Prevention

To effectively combat fraud, companies must adopt a multi-layered approach to prevention. This includes thorough vetting of carriers, the use of technological tools like GPS tracking and enhanced verification processes, and close collaboration with shippers. Additionally, companies should invest in continuous training and education to ensure that all employees are aware of the latest fraud tactics and prevention strategies.

Collaborative Efforts

Combating fraud requires a unified effort from all stakeholders in the logistics industry. Shippers, carriers, and brokers must work together to share information and develop best practices for fraud prevention. TIA plays a crucial role in facilitating this collaboration, providing a platform for members to report incidents, share insights, and learn from each other's experiences.

Legislative and Regulatory Focus

Stronger enforcement measures and regulatory oversight are essential to reducing fraud in the industry. The FMCSA and other regulatory bodies must prioritize resolving pending complaints, implementing penalties for violations, and closing loopholes that allow criminals to exploit the system. TIA continues to advocate for these changes, recognizing that robust regulation is key to maintaining the integrity of the supply chain.

Investment in Technology

As fraud tactics evolve, so too must the technology used to combat them. Companies should continue to invest in cutting-edge tools that enhance their ability to detect and prevent fraud. This includes advanced verification processes, real-time tracking systems, and artificial intelligence to identify and flag suspicious activity.

The Path Forward: Building a Resilient Industry

Long-Term Impact

Fraud is not just a financial issue—it threatens the entire supply chain. The costs associated with fraud are ultimately passed down to consumers, leading to higher prices and reduced availability of goods. To protect the industry and its customers, companies must prioritize fraud prevention as a key component of their business strategy.

TIA's Commitment

TIA remains committed to supporting its members in the fight against fraud. Through education, advocacy, and collaboration, TIA will continue to lead the industry in developing and implementing effective fraud prevention strategies. The association will also provide ongoing resources and support to help members navigate the challenges of fraud in an increasingly complex and globalized industry.

Call to Action

As the industry faces an unprecedented rise in fraud, it is more important than ever for TIA members to stay vigilant and proactive. Adopting best practices like advanced carrier vetting, thorough due diligence, and participation in TIA's educational programs is essential. Leveraging TIA's resources, sharing experiences, and advocating for stronger regulations are critical steps to fortify the industry against fraud. By working together, we can build a resilient and secure supply chain, better equipped to combat evolving threats.

Methodology

Survey Data Collection

The data presented in this report was collected through an online survey conducted by TIA from February 6, 2024 through August 26, 2024. The survey targeted TIA members, with nearly 200 respondents participating. Respondents were asked to share their experiences with various types of fraud, the financial impact of these incidents, and the measures they have implemented to prevent fraud. The data was then analyzed to identify key trends, common fraud types, and the overall impact on the industry. Additionally, this report references TIA's 2024 Fraud Framework to provide a well-rounded perspective on the challenges faced by third-party logistics companies.

Limitations

While the survey provides valuable insights into the state of fraud within the logistics and transportation industry, there are certain limitations to consider. The survey sample, while representative of TIA's membership, may not fully capture the experiences of all industry participants. Additionally, the self-reported nature of the data may introduce some bias, as respondents may not always accurately recall or report incidents. Despite these limitations, the findings offer a robust overview of the challenges and opportunities in combating fraud within the industry.

Future Outlook

Looking ahead, the industry must continue to evolve its strategies for combating fraud, leveraging new technologies, strengthening regulatory frameworks, and fostering a culture of transparency and collaboration. TIA will remain at the forefront of these efforts, providing leadership, resources, and advocacy to help its members navigate the complex and ever-changing landscape of fraud prevention. By working together, the industry can build a more secure and resilient future, protecting both businesses and consumers from the devastating impact of fraud.



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