



Transportation Journal Entries

Unmasking Double Brokerage Fraud: A Hidden Challenge for the Freight Transportation Industry

In the freight transportation ecosystem, multiple roles converge to facilitate the successful movement of goods, with the freight broker playing a pivotal role. Without these vital intermediaries, the industry would eventually stall. Nonetheless, an underhanded practice termed 'double brokerage' has emerged as a serious concern, underscoring the importance of vigilance and proactive measures.

Considered as a form of identity theft in freight transportation, double brokerage represents a deceptive strategy to commit fraud. There are two distinct avenues of identity theft that must be perpetrated for this scam to work. These double brokers cunningly pose as both a carrier to the legitimate broker and as a broker to the underlying carrier.

Under normal circumstances, the shipper disburses payment to the broker, who then remits the funds to the freight carrier. In a double brokerage scenario, the illegitimate broker takes the money from the legitimate broker either via an "advance" on the shipment or, once the shipment has been delivered, by requiring the underlying carrier to provide him with the POD. He tells the underlying carrier to he can't pay him until he receives the POD. Once the illegitimate bad broker has the POD, he sends it to the real broker and asks for quick pay on the shipment. Once the bad broker has received his money, he is gone like smoke on a breeze.

Not only is this deceitful practice morally reprehensible, but it's also against the law. The Federal Motor Carrier Safety Administration (FMCSA) oversees all trucking operations in the U.S, making it illegal for anyone to arrange interstate goods transportation without a valid broker's authority issued by the FMCSA. Noncompliance can result in hefty fines and even incarceration.

However, cunning fraudsters are becoming more sophisticated, often forging fake authority documents to mislead legitimate brokers and the underlying carriers into believing they're legitimate. This intricate scam significantly increases the likelihood of theft and loss for shippers and carriers.

To combat this fraudulent practice, it's crucial for all stakeholders, including freight brokers, shippers, and carriers, to stay vigilant and recognize the red flags of double brokerage. Introducing protective measures like confirming broker authority via the FMCSA's online registry and maintaining consistent communication with the freight carrier can help lessen these risks.

If one becomes a victim of such a scam, it's vital to report the incident promptly to relevant law enforcement bodies and the FMCSA. Prompt reporting could potentially aid in capturing these fraudsters and retrieving stolen goods or funds.

As the freight transportation industry confronts a range of challenges, double brokerage introduces an additional obstacle. However, fostering awareness, implementing verification procedures, and abiding by FMCSA regulations can significantly protect the industry from such threats. As the saying goes, 'knowledge is power.' By staying alert to double brokerage, we can ensure the freight transportation industry remains a resilient pillar of our economy, unhindered by fraudulent practices.



Whitacre Logistics Services
130 N Preston Road
Suite 320
Prosper, TX 75078

dallasops@whitacrelogistics.com
901-604-0300

Follow us at:
www.whitacrelogistics.com