

Understanding and Mitigating Supply Chain Fraud

Presented by Trinity Logistics, Inc and BrightQuery

Trinity Logistics, Inc.

- Founded 1979
- 3rd Party Logistics Services (Broker)
- 400 Team Members and 140+ Agents
- 550,000 Shipments Arranged (TL, LTL, Other)
- Ranked in the Top 20 Freight Brokers in USA
- 6,000 Customer/70,000 Carriers

What is Fraud?

- **Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain, usually, monetary.**

Some Dictionary Definitions.....

- "A deception deliberately practiced in order to secure unfair or unlawful gain"

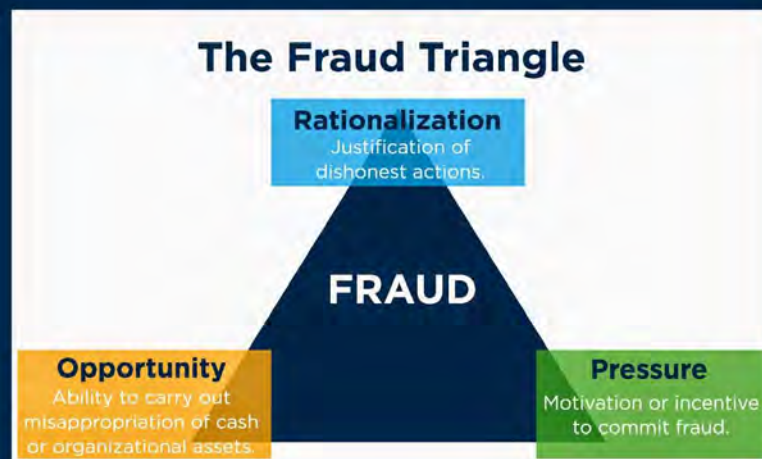
or

- "Deliberate deception or cheating intended to gain an illegal advantage"

TRINITY
A BURRIS LOGISTICS COMPANY ©



Why do people commit fraud?



Energy Company

CASE STUDY

Identity theft – 2021



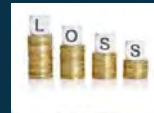
Mismatched commodities



Pick up and delivery locations



Loss of \$17,120.00



Statistics



- Over \$1 billion in losses in 2023 in trucking industry alone ^(TIA)
- Reported supply chain fraud events increased 57% YOY 2022 to 2023 ^(Cargonet)
- Hotspots – CA, TX, FL, GA ^(Fleetowner/Cargonet)
- Targeted Freight
- Trinity Logistics reported fraud attempts increased 10x YOY

Types of Fraud



Paperwork Scams



Internal Fraud



Hacking



Double Brokering



Cargo Theft

Additional Costs of Fraud

- Time and energy
- Reputation/Relationships
- Cost of goods and shipping
- Technological changes to combat fraud
- Diminished supply or rate of supply
- Increased insurance costs – premiums and deductibles – Trinity has seen a 50% increase year over year



Why is supply chain vulnerable?

Traditional Supply Chain Model



Complexity

Volume

Lack of Transparency

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Mitigation

Traditional Supply Chain Model



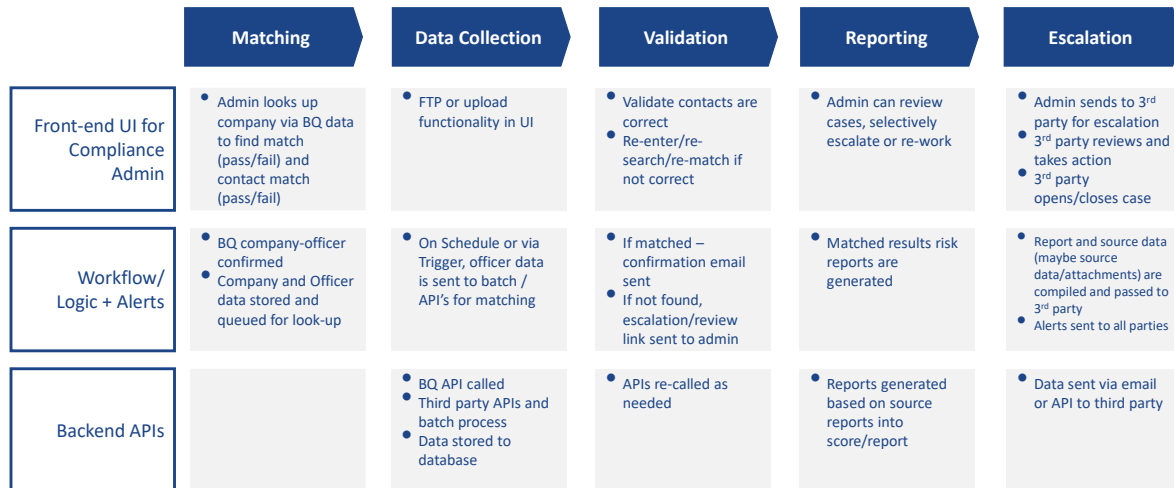
Technology

KYC/KYT

Peer Communication

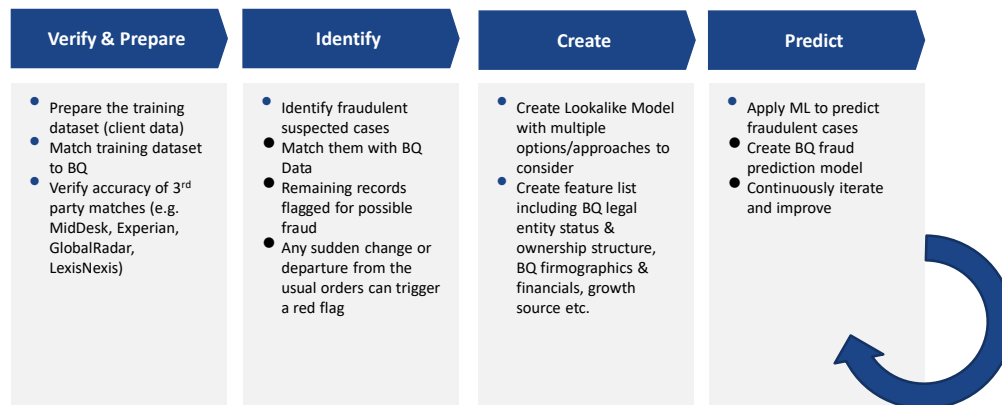
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BQ FRAUD DETECTION: END TO END PROCESS



BQ CUSTOM FRAUD MODEL: DESIGN & TRAINING PROCESS

This is the process to get started in creating the CUSTOM BQ Fraud Score during the Design phase of the engagement; The goal is to utilize data on existing clients as the training dataset

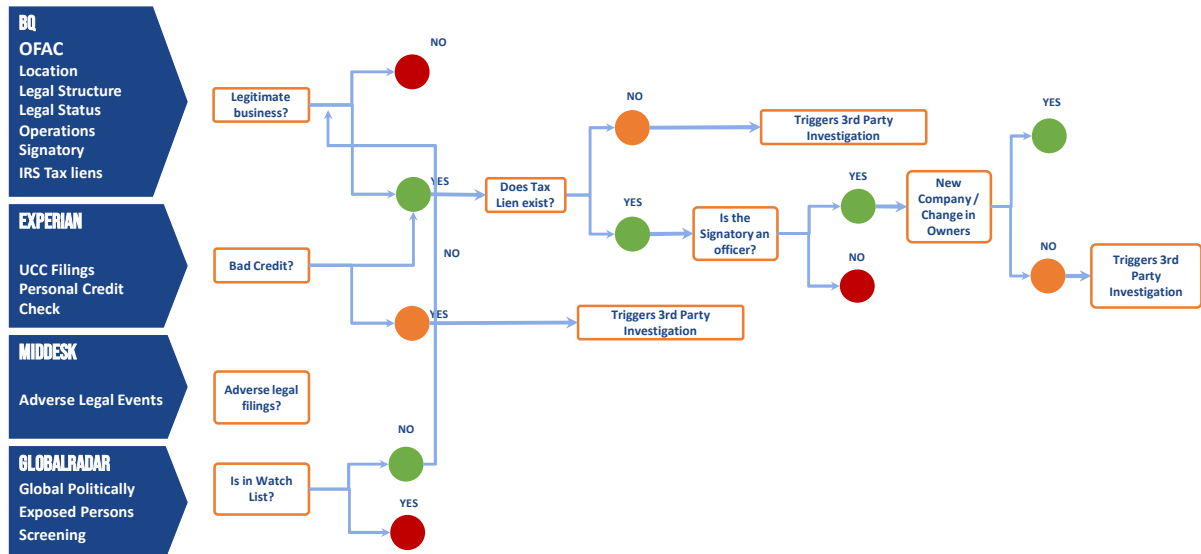


BQ CAPABILITIES IN FRAUD: KYB & COMPLIANCE CHECKS

LEGAL ENTITY	STANDING	HIERARCHY	LOCATION	LEGAL STRUCTURE	OPERATIONS	BENEFICIAL OWNERS	ACTIVE SINCE	PREVIOUS OWNERS
ENTITY NAME & ADDRESS	ACTIVE	BRANCH	FOREIGN BASED	GOVERNMENT OR LABOR ORG	FOR PROFIT	OFFICERS & DIRECTORS	DATE OF REGISTRATION	SHAREHOLDERS
	INACTIVE	FIRM	LEGAL REGISTRATION LOCATION	PRIVATE	NON-PROFIT	U.S. ENTITIES	DATE OF DEACTIVATION	PREVIOUS OWNERS
		PARENT	OPERATING LOCATION	PUBLIC	OPERATING COMPANY	FOREIGN ENTITIES	DISSOLUTION / ACQUISITION	
		SUBSIDIARY	US BASED	SOLE PROPRIETOR (NON-EMPLOYER)	NON-OPERATING COMPANY			
		HOLDING COMPANY	ADDRESS VALIDATION		EMPLOYER			
			RESIDENTIAL / COMMERCIAL		PROVIDER OF EMPLOYEE BENEFITS			

- Entity Verification
 - Is the Business Real?
 - Files taxes
 - Business registration
 - Address is valid
 - Is the Business Active?
 - Has employment & payroll
 - Generates revenue
 - Address is active
- Beneficial Owners: Persons and U.S. OR Foreign Entities
- Risk Score, Firmographics, Financials, Employment For U.S. Entities
- IRS Tax Lien data check
- OFAC watchlist check
- Change in Status and Ownership
 - Sudden change in activity?
 - Recently stopped functioning?
 - Change in status from inactive to active?
 - Recent change in ownership?

BQ FRAUD DETECTION: DECISION TREE (SAMPLE CLIENT & VENDORS)



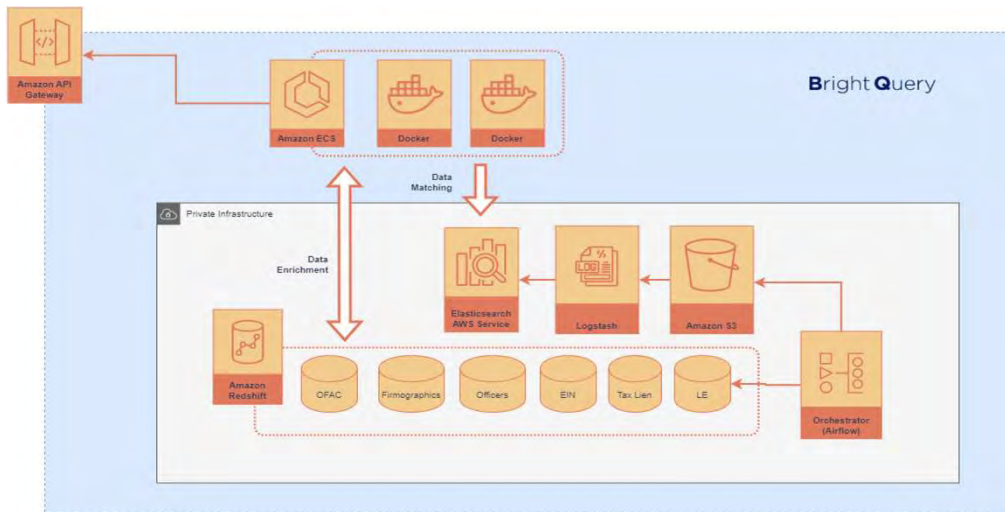
Middesk and GlobalRadar are example fraud data vendors considered to demonstrate BQ solution working in unison to detect and prevent Fraud
 3rd party investigation is depicted as an example to show the collaborative nature of BQ Fraud Solution

BQ FRAUD MODEL (SAMPLE CLIENT)

	BQ EIN Fail	MD EIN Fail	BQ LE Fail	MD LE Fail	BQ Employer Fail	BQ Signatory Fail	BQ OFAC Fail	BQ New Entity / Owner Fail
FRAUD REJECT								
FRAUD REVIEW								

EIN Fail means the EIN could not be found with the IRS; **LE Fail** means the Legal Entity could not be found with the Secretary of State; **Employer Fail** means the company could not be verified as an employer with the Dept. of Labor; **Signatory Fail** means the contact could not be verified as an officer for the company; **OFAC Fail** means the company or contact is listed on U.S. Treasury's OFAC Watchlist; **MD** means MidDesk; **BQ** means BrightQuery; **BQ New Entity / Owner Fail** means the Legal Entity is created newly or the ownership changed recently

BQ FRAUD MODEL AUTOMATION (SAMPLE CLIENT)



AWS platform and the services are considered an example to demonstrate how a custom solution can be built using BQ API's for a solution to detect sales lead fraud in real time or near real time

QUESTIONS?

Fraud Predictions for 2024:
youtube.com/watch?v=wFyWjeGdlfw