

**Before the Committee on Commerce, Science, and Transportation
United States Senate**

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Investigating Household Goods Fraud

**Statement of
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Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify on criminal fraud in the residential moving industry. We have investigated allegations of fraud in this area for over a decade and have found that while the vast majority of interstate household goods carriers are honest, there are dishonest companies and individuals who operate at the fringe of the industry and victimize the public. They do so with the sole purpose of illegally making as much money as they can from unsuspecting consumers by breaking the law and Federal regulations. We last testified before this Committee in May 2006¹ and highlighted the problem of fraud perpetrated by rogue household goods moving companies. We appreciate this opportunity to update the Committee on our investigative work.

My testimony today will focus on our (1) household goods (HHG) fraud investigations, (2) proactive initiative “Operation Boxed Up,” and (3) efforts to educate the public about HHG fraud. My statement is based on our completed and ongoing investigative work.

IN SUMMARY

Since 2006, we have opened 36 HHG fraud investigations. We currently have 14 investigations open involving companies operating under 108 different names, with more than 3,800 potential victims, amounting to around \$1.9 million in fraud. The criminal conduct we have targeted through our investigations consists of holding a customer’s household goods hostage while demanding significantly larger sums of money than originally quoted. In March 2011, we launched a national fraud project to proactively identify the most egregious consumer complaints involving hostage loads against HHG carriers and brokers. We focus, in particular, on groups of carriers and brokers that illicitly engage in hostage fraud schemes. In addition to filing a complaint through our agency Hotline,² available on our Web site, consumers can file complaints about improper HHG activities with the Federal Motor Carrier Safety Administration (FMCSA), the Better Business Bureau, and their State Attorney General’s office.

BACKGROUND

The Office of Inspector General (OIG) Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of fraud, waste, and abuse within the Department, its programs, and grantees. OI’s investigative work is accomplished by criminal investigators assigned to regional offices around the country. Investigations are opened based on OIG priorities and procedures and in

¹ OIG Testimony Number CC-2006-044, “Household Goods Moving Fraud,” May 4, 2006. OIG investigative summaries and testimonies are available on our Web site: www.oig.dot.gov.

² The OIG’s 24-7 Hotline number is 1-800-424-9071. Complaint forms and HHG fraud information for consumers are also available on our Web site under the Household Goods Movers portal.

consideration of prosecutorial guidelines that the local United States Attorneys have established.

OIG has four investigative priority areas:

Transportation safety investigations typically involve parties that violate criminal laws relating to the Department's statutes and regulations. These investigations include matters involving aviation safety, motor carrier safety, and hazardous materials.

Grant and procurement fraud investigations involve allegations of bribery and corruption, bid rigging, false claims, labor and materials over-charging, disadvantaged business enterprise fraud, and product substitution in connection with the Department's annual expenditure of nearly \$64 billion on direct procurements and projects funded through grants.

Employee integrity investigations address a wide range of violations involving Department employees. These include time and attendance/travel voucher fraud, misuse of government property or funds, conflict of interest, ethics violations, and prohibited personnel violations.

Consumer and workforce fraud protection investigations help to protect American consumers and workers from fraud in connection with FMCSA regulatory programs, including household goods movers as well as shippers and cargo freight forwarders. Though FMCSA is responsible for the civil enforcement of the consumer protection and economic regulations governing the interstate transportation of household goods, OIG investigations—and resultant prosecutions—are separate from, but complement, FMCSA's regulatory enforcement programs. The availability of criminal sanctions sends a strong deterrent message to violators who consider regulatory/civil penalties simply a cost of doing business.

OIG IS INVESTIGATING HOUSEHOLD GOODS HOSTAGE FRAUD COMPLAINTS

Combating HHG fraud is an OIG investigative priority. Our investigations have targeted suspect HHG brokers and HHG carriers that hold customers' household goods hostage while demanding significantly larger sums of money than are legally permissible and much greater than the original quotes made to their customers. To carry out these crimes, perpetrators engage in illegal activity that includes extortion, conspiracy, wire fraud, mail fraud, money laundering, and falsification of bills of lading and shipment weight documents.

Our HHG criminal investigations are often conducted with Federal, State, and local law enforcement partners and with the assistance of FMCSA. The vast majority of the allegations against rogue HHG companies we investigate have come from FMCSA

and our own proactive efforts to uncover these illegal and deceptive business practices. Several of our investigations have included the use of concealed recording equipment to monitor communications between victims and the owners and employees of unscrupulous carriers. We have also used undercover law enforcement personnel to pose as consumers. These investigative techniques have enabled us to identify and prosecute numerous violators. Despite these efforts, we continue to receive hundreds of complaints each year of allegations of HHG fraud.

The Fraud Scheme

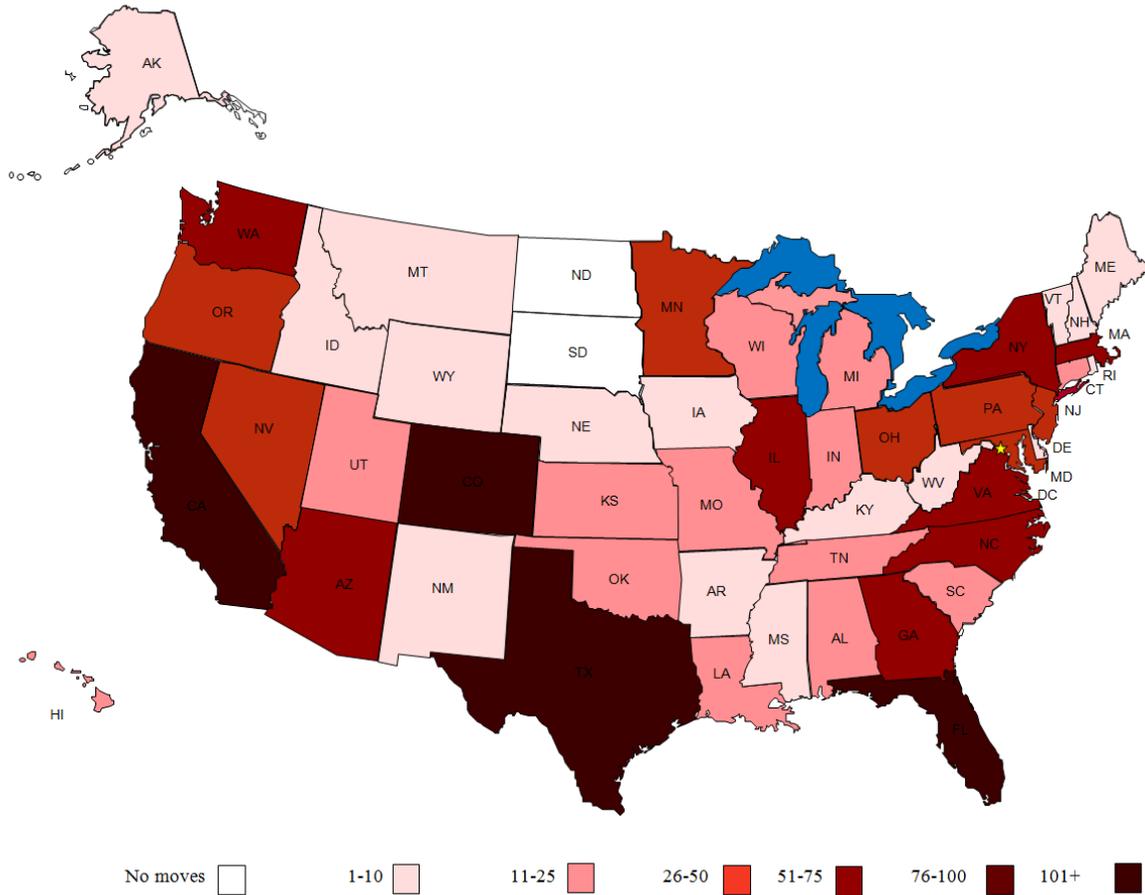
Like most Americans, the victims are interested in getting the most for their money and frequently search the Internet to help them find the least expensive moving company. Though many of our cases involve the customer directly interfacing with the HHG carrier, some involve the use of unscrupulous brokers.

After finding a company on the Internet, the initial contact with the company—either an HHG broker or HHG carrier—is typically by telephone or email. Almost universally, the rogue company provides a quote without conducting a physical survey to get the best estimate of what it will cost to move the customer’s belongings. Instead, the types of quotes customers receive can vary; they may be given a verbal quote or a written, binding quote that most often contains significant details, in small print, about the quotes and services provided. The impact of HHG fraud can be felt across the United States, as shown in figure 1 on the next page.

Broker: Our investigations have shown that the dishonest broker, with full knowledge, provides customers a low-ball estimate knowing the carrier will grossly inflate it once the goods are loaded on the truck. The broker will frequently keep a fee for booking the move usually obtained in the form of a deposit, taken from the customer up front. Because these brokers have companies that they frequently book loads for, they are familiar with their schemes and often receive phone calls from angry customers from whom the carrier is trying to extort additional money in exchange for releasing the HHGs.

Carrier: Once a carrier has received the brokered load and the hectic moving day arrives, the illicit moving company driver or foreman will aggressively attempt to compel the customer to sign a number of blank documents before any actual packing or moving begins. Our investigative work has shown that these blank forms are most typically revocations of prior agreements or estimates and contain revised estimates. Instead of deceptively compelling customers to sign blank forms, the driver or foreman should advise the customer before the move starts that the estimate is wrong and renegotiate a new estimate, as required by regulation.

Figure 1. States Impacted by HHG Fraud



Source: OIG Investigative Data

After the rogue moving company has the customer's belongings, someone from the moving company will tell the customer that there were more household goods than the customer had told the company estimator about. They may also tell customers that the weight of their belongings was far greater than estimated and/or that large quantities of packing materials were necessary. All of which caused the price of the move to be significantly more than the originally quoted price. This information is always provided before the customers' belongings are unloaded at their new residence. In most cases, victims are told about the price increase immediately after the goods are loaded on the truck or within a day or two after the goods have been driven away. Sometimes the customer is not informed until the driver arrives at the new residence. The victim is presented with the blank documents they signed before the goods were loaded onto the moving trucks, which are now filled out with the inflated price on them. The documents will also have the customer's signature, which indicates agreement to the price increases on the day the belongings were loaded on the moving truck. In nearly every situation, victims are told they can either pay the

price or incur additional costs for storage, and if they fail to pay, their possessions, including the family's mementos, will be sold at auction. This form of extortion is one of the most heinous frauds we see.

Let me share with you several particularly egregious cases.

Egregious Case Examples

Santa Clara Investigation: Working with the Santa Clara District Attorney's Office, Monterey County District Attorney's Office, the Alameda County District Attorney's Office, and the Federal Bureau of Investigation (FBI) we participated in three interstate undercover operations to ferret out HHG moving companies with numerous complaints against them for holding customers' goods hostage until illegally inflated charges were paid. In one case, an undercover agent arranged for a move from Nevada to California and received a telephone quote of \$1,461. After the goods were loaded, the undercover agent was informed that the move would cost \$3,138, more than twice the original quote. Of the \$1,677 in overages, \$900 was for packing materials. In this case, felony complaints were filed in Santa Clara County, California, against the 10 individuals associated with the 4 targeted HHG carriers. Four of the defendants are fugitives, five are awaiting adjudication, and one pleaded guilty and was sentenced to 4 years of probation.

Kasprowicz Investigation: Our investigations of HHG fraud also led to the prosecution of Lester C. Kasprowicz of Oregon, who was notorious for giving misleading or false estimates and holding customers' goods hostage until the customer paid the inflated amount.³ For example, a U.S. Navy officer contacted one of Kasprowicz's companies, which she found on the Internet, to arrange for a move from Oregon to Hawaii, where she was transferred after a tour of duty in Iraq. Once she was in Hawaii, after her belongings were loaded on the moving truck and taken away, she contacted the moving company about delivery and was told that she should send a money order for the full balance of her move after which her goods would be delivered. Shortly after mailing the money order for \$2,131—the quote she received over the telephone—the moving company told her that due to the weight of her goods, the price of her move had increased an additional \$3,246, and she needed to send that amount before her goods would be delivered. She subsequently mailed them the additional money.

Three months after her initial move, she received one of the two pallets of household goods from DHX, a company Kasprowicz had contracted with to actually ship her goods. However, Kasprowicz had never paid DHX for the shipment so she was unable to get the rest of her belongings until she settled the balance of the unpaid bill. Our investigation identified a total of seven victims who were collectively defrauded

³ Kasprowicz was previously prosecuted for operating over a dozen rogue HHG moving companies and violated Federal and State Permanent Injunction Orders prohibiting him from doing business in the household goods arena.

out of \$9,691. Kasprowicz was convicted on mail fraud charges in connection with his HHG fraud scheme and sentenced to 33 months in prison, 5 years of supervised release, and payment of \$9,691 in restitution.

AY Transport (Carrier) and National Moving Network (Broker) Investigation: Our HHG investigations also led to the indictment of 14 individuals associated with AY Transport, Inc.⁴ and National Moving Network (NMN)⁵ in U.S. District Court, San Jose, California, on charges of extortion and fraud upon consumers in residential moves.

In this case, NMN brokered moves for other moving carriers and customarily provided fraudulently low quotes over the telephone to customers. NMN management often held meetings with sales representatives to discuss ways to manipulate the bidding process to ensure customers received these low quotes and agreed to do business with the company. Because sales representatives received commission based on the number of quotes accepted by customers, they actively participated in providing the fraudulently low quotes. In addition to providing customers with artificial and fraudulently low quotes, it was common knowledge among the sales representatives that the majority of the business was directed to AY Transport. The sales reps were aware that once AY Transport took possession of the customers' household goods, they habitually and systemically demanded amounts up to four times over NMN's original quote.

In one such move, a family found NMN on the Internet and contacted them to arrange a move from California to Alabama, a relocation made necessary due to a new job. After describing the contents of his home, the customer received a telephone quote of \$1,400 and gave NMN a \$500 deposit. On moving day, AY Transport showed up and took possession of the family's household goods, and the customer paid the driver around \$900. After arriving in Alabama, he called NMN numerous times to arrange delivery of his possessions. Eventually, he spoke to an AY Transport employee who told him that if he wanted his goods delivered he needed to pay an additional \$1,600 to cover costs associated with extra boxes, fuel, delivery fee, and storage, which, ironically, the employee said was necessary because the company could not get in touch with him to arrange delivery. Because AY Transport was holding the family's possessions hostage, the victim's children and pregnant wife had to sleep on the floor. The victim was forced to pay the additional fees and had to drive 4 hours to retrieve the family's goods himself.

To date, our investigation of AY Transport and NMN has uncovered over 1,000 victims with a loss of just over \$1 million. Thus far, 9 of the 14 defendants have pleaded guilty, 1 has accepted a pre-trial diversion, and 3 are fugitives. One defendant

⁴ Also known as Progressive Van Lines and Midwest Relocation Services.

⁵ AY Transport was a moving company based in San Jose, California; NMN was a moving broker in Miami, Florida.

recently went to trial, but the jury was unable to reach a verdict. Of those defendants who have pleaded guilty, five have been sentenced and ordered to pay restitution of over \$32,000.

OIG'S "OPERATION BOXED UP" AGGRESSIVELY TARGETS COMPLICIT HHG CARRIERS AND BROKERS

In recognizing the significant, negative impact that rogue HHG motor carriers and brokers can have on our Nation's consumers and workforce, our office developed a strategy to focus our investigative resources in this area of fraud. In March 2011, we launched "Operation Boxed Up," a proactive, cooperative initiative aimed at removing unscrupulous HHG movers before they further victimize American consumers. By analyzing databases from FMCSA's HHG regulatory program, we identified the most egregious hostage load complaints consumers filed against HHG carriers and brokers. We focused, in particular, on groups of interrelated carriers and brokers engaged in hostage fraud schemes.

When we formally kicked off Operation Boxed Up, we held a joint training session with FMCSA, emphasizing the importance of OIG-FMCSA cooperation to target those who prey on the trust of unsuspecting consumers. The training was a venue for information sharing, with FMCSA speaking in detail about how a moving company typically perpetrates household goods fraud and the information available to the OIG through FMCSA's databases. OIG agents talked about recent successful investigations of fraudulent movers. Staff from both agencies learned a lot about their mutual capabilities and expertise relating to HHG fraud.

Approximately half of our open HHG investigations are from our Operation Boxed Up data analysis project. Through this initiative we have executed eight search warrants and made seven arrests. Further, nine individuals have been indicted in connection with these fraud schemes. Our investigations continue to identify unscrupulous fraudsters who prey on individuals unfamiliar with the moving industry rules and regulations.

Cases identified through Operation Boxed Up include the following:

Operation Boxed Up Case Examples

New York Search and Arrest Warrants: We executed a Federal search warrant and arrested three officials of companies that had a pattern of providing customers at or below market value estimates and then substantially increasing them after the contents of the customers' homes were loaded on the companies' trucks. Specifically, the company officials provided customers a verbal quote of \$2,000 to \$3,000, then raised the costs several thousand dollars, demanding full payment prior to delivery; if payment was not received, they threatened to auction off the property.

In one such case, a customer was quoted a price of \$1,056 for a move from North Carolina to Texas based on an itemized list that she prepared and emailed per the company's instructions and an approximate weight of 2,000 pounds. The customer was also told that she would receive 25 large packing boxes for free if she hired the company. She subsequently agreed to the terms of the quotation and provided a small credit card deposit to the company.

However, on the day of the move, after her household goods were loaded on the truck, she was told that the cost of the move would increase to over \$5,700 based on cubic feet. In response, the victim demanded the company representatives unload and put the items back in her house. The representatives then told her that the price would likely decrease once her household goods were weighed. Feeling backed into a corner, she allowed the company to drive away with her possessions. Ultimately, the price did not decrease and the victim's credit card was charged over \$5,700.

During our investigation into this company and its many victims, OIG agents used electronic monitoring equipment, which captured company representatives telling victims that if they failed to pay additional charges, their goods would be auctioned.

FMCSA has received over 100 complaints against the subjects of this investigation. The potential fraud amount is as high as \$250,000.

Colorado Indictments: Another Operation Boxed Up investigation led to the indictment of the owners and two employees of two related moving companies on charges associated with hostage HHG schemes designed to unjustly enrich the owners of the companies. This scheme involved HHG brokers (or companies representing themselves as HHG brokers) luring customers by offering extremely low moving estimates, transferring the brokered loads to the unscrupulous carrier or one of its affiliates, and taking possession of customers' household goods. The mover would then significantly increase the price and withhold delivery of the household goods until the customers paid the fraudulently inflated price. In addition, customers were threatened that if they refused to pay, their household goods would be auctioned.

In one such case, an elderly couple relocating from Colorado to Nevada because of the wife's poor health contacted a trucking company, found on the Internet, which acted as an HHG broker but was not registered with FMCSA as either an HHG broker or carrier. The customer was provided a \$1,340 estimate and paid a \$260 deposit. On moving day, while the movers started moving the contents of his home, an employee of the moving company had the customer sign documents that "gave them permission to move his household goods." When the customer tried to ask questions about the forms, the mover told him they would go over the paperwork later. After his property was loaded on the truck, the mover provided copies of some of the signed documents but many, including a Revised Written Estimate, were blank.

Later that day, after the contents of the his home had been loaded on the truck and driven away, he was told that the cost of the move would now be around \$7,400—more than a 500-percent increase. Included in the goods being held hostage was the customer’s wife’s wheelchair, which the owners of the HHG carrier flat out refused to release, saying “you are not getting it, period” or any of the other property until the extortionate revised cost of the move was paid. We later found out that the owner of the moving company was using this victim’s computer and his flat screen television in the business.

OIG’s investigation of these complicit companies has identified 36 victims to date, with an approximate loss of around \$126,000.

Texas Indictments: Another Operation Boxed Up investigation led to the indictment of three individuals posing as legitimate moving companies on State of Texas deceptive practices charges. Between May 2009 and January 2012, the three engaged in a number of typical hostage HHG fraud schemes designed to unjustly enrich themselves.

In one case, a single mother of two young children, was quoted a price of \$39 per hour for an intrastate moving job that ended up taking just less than the agreed to minimum of 3 hours. When the movers arrived at the customer’s new home, she was told she owed \$3,908 in cash; \$3,000 of the charge was for bubble wrap. Because she did not have the cash, everything the mover loaded in the truck has yet to be returned.

In another case, a customer was told an intrastate moving job would cost approximately \$400. After the contents of his home were loaded on the truck, the customer was told he would have to pay \$5,000 to get his possessions back. The victim still has not received his goods.

The investigation has revealed a total of 46 individuals that have been defrauded by this group, with a total fraud amount of \$244,206.

OIG HAS RAISED PUBLIC AWARENESS

Based on our experience working HHG fraud investigations, we have identified the following red flag indicators for consumers.

- The company’s Web site has no local address and no information about its FMCSA registration or insurance.
- When you call the mover, the telephone is answered with a generic “Movers” or “Moving Company,” rather than the company’s name.
- The mover does not offer or agree to an onsite inspection of your household goods, gives an estimate over the telephone or Internet—sight unseen—and does

not provide you with either a “binding” or “non-binding” written estimate. These estimates will often sound too good to be true, and they usually are.

- The mover does not provide you with a copy of “Your Rights and Responsibilities When You Move,⁶” a booklet movers are required by Federal regulations to supply to their customers in the planning stages of interstate moves.
- The moving company demands cash or a large deposit before the move.
- On moving day, a rental truck arrives rather than a company owned or marked fleet truck.
- On moving day, the moving truck driver or foreman will try to get you to sign blank documents before beginning to load your goods. Never sign blank forms, and read what you sign.

CONCLUSION

In closing, I want to assure you that we remain committed to protecting the American consumer from these greed-based schemes by continuing to work with Congress, the Department, and other law enforcement partners to identify, investigate, and prosecute rogue HHG movers to the fullest extent of the law.

In the very near future, OIG will unveil a ‘most wanted’ Web page that will identify defendants charged with transportation-related crimes (including hostage goods fraud) and who have fled the court’s jurisdiction and/or the United States, rather than face prosecution or serve a sentence. Similar to FBI’s list of most wanted, we encourage the public not to attempt to apprehend any of these individuals, rather they should notify us with information they have which might help bring these fugitives to justice.

Mr. Chairman, this concludes my prepared statement. I will be happy to address any questions you or other Members of the Committee may have.

⁶ <https://www.protectyourmove.gov/consumer/awareness/rights/rights.htm>