



U. S. Department of Transportation
Office of Inspector General

August 22, 2023

The Honorable Mike Braun
United States Senate
Washington, DC 20510

The Honorable Michael Bost
U.S. House of Representatives
Washington, DC 20515

The Honorable JD Vance
United States Senate
Washington, DC 20510

The Honorable Rick Scott
United States Senate
Washington, DC 20510

The Honorable John Thune
United States Senate
Washington, DC 20510

The Honorable Lance Gooden
U.S. House of Representatives
Washington, DC 20515

The Honorable Chuck Edwards
U.S. House of Representatives
Washington, DC 20515

The Honorable Deb Fischer
United States Senate
Washington, DC 20510

Dear Senators and Members of Congress:

I am responding to your May 22, 2023, letter in which you expressed concerns with increasing levels of fraud related to freight hauling, including stolen truck loads and brokerage fraud schemes. In your letter, you requested that our office consider establishing a special task force, in coordination with the Federal Motor Carrier Safety Administration (FMCSA) and the Department of Justice (DOJ), for investigating, referring, and prosecuting cases of freight, household goods moving, ransom, and double-brokering fraud.

As you know, the Department of Transportation (DOT) Office of Inspector General (OIG) conducts a wide array of investigations to detect and prevent fraud, waste, abuse, and criminal violations of laws affecting the Department, including FMCSA and DOT's eight other Operating Administrations (OAs). OIG is the principal law enforcement office within DOT and is made up of approximately 100 law enforcement officers nationwide with authority to carry firearms, execute warrants, and make arrests. Our primary investigative priorities are crimes that affect public safety and fraud schemes that significantly impact the large volumes of funding distributed by the Department. We continuously collaborate with OAs; other key DOT stakeholders; and numerous Federal, State, and local law enforcement entities to bring wrongdoers to justice.

Given our mission, we share your concerns about freight-related fraud that targets the American public and impacts the integrity of our transportation system. Indeed, our Office of Investigations has a long and successful history of partnering with FMCSA and the U.S. Attorneys' Offices within DOJ on these matters, particularly household goods moving fraud

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investigations. Over the last 5 years, OIG has investigated 25 cases of household goods moving fraud. Of the 25 cases, 8 cases are closed and resulted in 8 convictions with individuals being sentenced to 8+ years of incarceration; 6+ years of probation; 13 years of supervised release; and \$28.5 million in fines, forfeiture, recoveries, restitution, and special assessments. The remaining 17 cases are still open and have already resulted in 14 convictions; 26+ years of incarceration; 11 years of probation; 22 years of supervised release; and \$5.2 million in fines, forfeiture, recoveries, restitution, and special assessments.

Recent examples of household goods moving fraud cases that OIG investigated include:

- **Moving company racketeering conspiracy.** On December 19, 2022, the U.S. District Court for the Southern District of Ohio sentenced Serghei Verlan to 72 months of incarceration, 36 months of supervised release, and a \$100 special assessment. In August 2022, Verlan pleaded guilty to participating in a racketeering conspiracy related to a moving company enterprise. From April 2013 until July 2018, Verlan, along with other members of the enterprise, controlled several moving companies that defrauded, extorted, and stole customers' household goods. After loading customers' goods onto a moving truck, the moving enterprise would increase the price of the move and hold the goods hostage until customers paid the inflated prices. The enterprise also charged customers for moving more cubic footage of household goods than what was actually loaded, and some customers' goods were never delivered.
- **Deceptive moving practices.** On May 20, 2022, the Seventeenth Judicial Circuit in Broward County, Florida, entered a final judgment as to liability and an order of permanent injunction against All USA Van Lines (doing business as Top Movers, Inc.) and its owner, Ohad Guzi. The judgment totaled \$21,789,306, including about \$5.28 million in restitution imposed under Florida's Deceptive and Unfair Trade Practices Act, and \$16.5 million in civil penalties. The ruling arose from civil complaints that the Florida Attorney General's Office filed in December 2018 against 7 individuals and 19 household goods moving companies or their affiliated entities. The complaints alleged that the companies conducted deceptive moving practices by using false or deceptive advertising or offering low-price, purportedly binding estimates to entice customers to purchase their services. They then took custody of people's belongings, raised prices, and forced customers to pay the inflated prices before releasing the goods. The companies also claimed that highly trained professional or expert movers would perform the services; however, untrained laborers regularly performed the moves, often damaging, destroying, or stealing the customers' property.

Investigating double-brokering amongst freight carriers is another area in which we are committed to collaborating with FMCSA, U.S. Attorneys' Offices within DOJ, and other stakeholders, when appropriate. Over the last 5 years we investigated 13 cases involving allegations of double-brokering. Of these 13 cases, 7 cases were closed. Three were declined by prosecutors, three were closed without a referral to prosecutors for lack of evidence, and one case led to a criminal conviction. Of the six cases that remain open, one case has resulted in a criminal conviction. The following are two examples of closed double-brokering cases that OIG investigated:

- **Interstate carrier identity theft.** Following a recent OIG investigation, on February 24, 2023, the U.S. District Court for the Southern District of California sentenced Alexis Castillo-Padilla to 30 months of incarceration, 36 months of supervised release, \$239,904 in restitution, and a \$400 special assessment. Our investigation revealed that Castillo-Padilla led a double-brokering scheme, in which he stole the identity of an interstate carrier and agreed to make deliveries using the company's stolen identity. Rather than delivering the loads, Castillo-Padilla posed as a shipper and re-brokered the same loads to other carriers who delivered the freight. Castillo-Padilla collected the payments for the completed deliveries but did not pay the carriers who actually delivered the loads.
- **Re-brokering transported goods.** On December 20, 2019, the U.S. District Court for the District of Maryland sentenced William Francis Hickey III to 20 months of incarceration and 3 years of supervised release. Additionally, on April 24, 2020, Hickey was ordered to pay over \$1 million in restitution. Hickey pleaded guilty on September 26, 2019, to one count of conspiracy to commit wire fraud and one count of wire fraud. As the managing member of Hickey Consulting, LLC, and president of Latino Consulting, LLC, Hickey used bank accounts in the names of both companies to deposit over 1,000 fraudulently obtained checks valued at approximately \$1 million. Hickey admitted that, to obtain truck industry checks, he and co-conspirators posed as legitimate truck companies by entering into agreements with brokers to transport goods. They then re-brokered the same goods to a real trucking company seeking payment from the original brokers for transportation services they did not provide.

Recognizing the importance of preventing and detecting fraud, waste, and abuse in our transportation system, we will continue to partner with FMCSA and DOJ to investigate the most egregious allegations of household goods moving and double-brokering fraud, in addition to our primary focus on cases that align with OIG's top investigative priorities. We appreciate your attention to this matter and your support of our mission to serve the American public through promoting a safer and more efficient national transportation system.

If you have any questions, please contact me at (202) 366-1959 or Nathan Richmond, Deputy Assistant Inspector General for Government and Public Affairs, at (202) 366-8751.

Sincerely,



Eric J. Soskin
Inspector General

CC: The Honorable Robin Hutcheson, Administrator, Federal Motor Carrier Safety Administration
The Honorable Michael Horowitz, Inspector General, Department of Justice