



Equipment Fraud Advisory

Fraud Awareness for Law Enforcement and Industry

February, 2011

Since the start of the year, National Equipment Register has received numerous reports of frauds against equipment rental companies and new equipment dealers nationwide. None of these frauds are new; the stories and approach the fraud artists use are well known to the industry and Law Enforcement, but many businesses still fall prey to these tactics. The slow economy possibly is forcing dealers and rental operators to take chances on questionable deals they would pass by in better times.

Below are some examples of recent reports. NER encourages Law Enforcement and the industry to raise awareness of the resurgence of these fraud trends and communicate locally when frauds do occur, so that other businesses and agencies are forewarned, and offenders can be apprehended.

Recent Frauds

- Attempt to purchase equipment from rental operators and dealers, with equipment delivered to local business address. Offenders called in orders on equipment using credit cards (Visa and Amex) which appear valid and charge through; charge backs in later billing cycles reveal the cards are stolen. Offenders have no relationship to delivery address. Loss of equipment and revenue.
- Purchase of small equipment or parts using wire transfer. Offenders email requests to dealerships and rental businesses for specific orders. Transactions are made via wire transfers and parts are shipped to an out of state address. Transaction appears to go smoothly, until weeks or months later the business discovers that accounts are depleted, or the business is contacted about new lines of credit and checking accounts the offenders establish using account and business information obtained in the wire transfer. Loss of business funds and business identity theft.
- Purchase of equipment using cashier's checks, wire transfer or credit cards. Offenders contact dealers and rental operators by phone and email to purchase equipment to be shipped out of state or internationally. Offender requests shipment via their freight broker, requiring a freight pre-payment by seller, to be included in total costs. Payment clears at time of purchase but later is determined to be fraudulent (counterfeit checks, stolen credit card numbers, stolen account information for wire transfers). In some instances, the freight broker does pick up the equipment, and is later discovered to be a fictitious company. Loss of equipment and both revenue and business funds.
- Local rental using stolen credit cards, debit cards or business credit accounts. This is the most prolific scam, and occurs daily. An offender rents a machine or tools using credit cards that later are determined to be stolen, or debit cards that are approved for the deposit but are then emptied of funds, or the offender impersonates an employee of a major client, sometimes even presenting counterfeit ID. Loss of both equipment and revenue.

There are many variations on these scams, and they all are on the rise nationwide. Below are some tips for both Law Enforcement and the industry on thefts by fraud. The more awareness there is of the problem, the less success fraud artists will have against the equipment industry.



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Fraud Awareness for Law Enforcement

- Equipment involved in a fraud often does not get reported for weeks or even months, and may not ever be entered as stolen on NCIC. During this time Law Enforcement may encounter equipment and not discover it is stolen. Contact the owner to verify machine status on any rental or new equipment that seems suspicious. Contact NICB **800-447-6282** for access to NER's equipment registration and ownership information, which includes most rental equipment large and small.
- Educate patrol and dispatch personnel of the gray areas surrounding equipment rental and purchase fraud. Be sure they know how to access equipment registration data from NER through NICB **800-447-6282**. NER's equipment registration also includes emergency contact information for all member fleets and owners.
- Research your state statutes on theft of service, conversion and theft by fraud to ensure you can respond accurately to reports from the Industry.



Fraud Prevention for the Industry

- Be wary of email solicitations with poor grammar and awkward use of English; example: *"below is the equipment we interested in rental from your company."*
- Be wary of phone customers with pronounced accents using credit cards or accounts with western names (William Jennings, Mary Underhill).
- Be wary of customers from out of your area renting or purchasing equipment to be delivered out of your area; why are they not contacting their local businesses?
- Trust but verify; do your own research to confirm who you are dealing with:
 - Contact your merchant services to verify cardholder information, and ask that the issuing bank contact the card holder to verify the transaction.
 - Independently locate, verify and contact a bank that a client proposes wire transfers through; confirm the client's banking history with the institution.
 - Independently locate a company a renter says they work for, verify their employment and authority to rent/purchase. Speak with that employee to be sure it is the same person you are communicating with.
 - Independently confirm freight brokers and contact them, or require the use of your own broker or freight carrier.





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Fraud Prevention for the Industry (continued)

- Require local references from new renters, and follow up with them.
- Confirm delivery addresses yourself: contact the businesses to confirm the renter or buyer is associated with the address, or contracted to do work there (especially for snow removal).
- Require a thumb print, and digitally scan identification on all renters.
- Keep a digital camera handy to photograph renter's vehicles
- Test your security cameras to ensure a renter can be clearly identified.
- Go with your gut. Time and again, victimized businesses report that employees had a sinking suspicion about the transaction. Act on your suspicions until you are confident the transaction is legitimate.

Communication is the Best Prevention

For both Law Enforcement and the Industry, communicating information on fraud offenders and trends locally will help prevent other businesses from being victimized, and increase the potential that offenders will be located when they attempt to commit frauds.

- Beyond just making a report, Industry should reach out to Law Enforcement agencies locally if you are victimized to be sure they are aware of the problem.
- Law Enforcement is encouraged to contact dealer and rental associations if frauds are being committed in your jurisdiction.

NER can facilitate this communication for both Law Enforcement and Industry. Contact NER at **866-663-7872** or email info@nerusa.com

Report Report Report

Several recent frauds were discovered and equipment recovered because the rental companies contacted NER shortly after the fraud to report the machines missing. Meanwhile other units remain unidentified. NER accepts reports on thefts and frauds even if a police report or civil filing has not been completed yet. If a machine is missing, report it to NER at **866-663-7872** or via www.net.net

The chances of locating equipment is dramatically increased the sooner information is available that the equipment is missing.

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