

Chameleon Carriers Virtual Roundtable

Welcome!

What exactly are Chameleon Carriers?

Also known as reincarnated carriers - are companies that artificially shut down and resurrect as a new legal entity for reasons such as circumventing fees or regulatory compliance

Per FMCSA

There are two main ways a motor carrier may have its registration suspended or revoked due to suspected reincarnation: due to ***affiliation*** or ***due to regulatory non-compliance***.

Affiliation (most common) – determination that the carrier was reincarnated based on common ownership, control, management or a familial relationship.

- US49 – section 385.1007 – sets forth factors that determine whether carriers considered reincarnated. The important consideration highlighted here is INTENT TO CIRCUMVENT.

Why do some carriers reincarnate themselves? What is their purpose?

- Currently operating under a federal out of service order and want to operate.
- As soon as they receive audit letter of intent– they have no records. It's easier for them to run and not file.
- Once they receive an audit assessment.
- When they are not compliant with all taxes.
- Legal issues, such as running from child support.
- They receive a notice of DOT audit.

How do you identify chameleon carriers?

- System will catch duplicate addresses. Conduct further research on carrier. Use Secretary of State database for additional research.
- Sometimes will use SS# as part of demographic information – the auditor can determine from that file if the carrier is a reincarnated carrier.
- Research internal corporation files.
- As information is entered into system, it will highlight matches; addresses; licenses; names; corporate officers; phone numbers. It will also highlight likeness in names. Also have an active working group that determines if a carrier should be issued operating authority.
- Give it the “smell test.” We’ve had with new accounts – modified the checklist to incorporate the smell test. Some comes with experience, which will become an issue as more staff retire. Check the VINs to determine if the vehicle is registered on another account; check if the owner is the same; look at officers through secretary of state (relative opens the account, they list the same address and/or have the same name); check driver license database.

- Verify all the credentials; VINs; make them pay all their taxes; insurance, excise tax, title; check them against clearinghouses (IRP and IFTA); check them in SAFER, Corporations database; make sure they are a corporate entity; check the corporate officers.
- Some jurisdictions have a law regarding reincarnated carriers.
- If the carrier is delinquent with IFTA taxes, likely to fail safety requirements.
- CVIEW and Clearinghouse research.
- MCMIS
- Check with secretary of state and other resources for validity of information submitted.
- Get a list of carriers placed out of service from the FMSCA.
- Majority of chameleon carriers are caught through the PRISM program; allows us to tie everything together. Also found – these types of carriers aren't in trouble in just one area as they are in trouble in many areas.
- Captured social security numbers for officers – integrated database system; requirement with business licensing. Requirement for IFTA program.

Do you have a checklist?

- Four jurisdictions responded:
 - Checklist for new accounts - must have proof of residency, documentation from Secretary of state. The carrier is retitling the vehicle in family or corporation name.
 - PRISM - check on out-of-service orders, affiliations. VIN error. Use federal motor carriers – A&I – addresses. Checklist is very useful, part of process to filter out potential suspect operations.
 - Extensive questions on the Schedule G, carriers making a change are also required to complete.
 - Part of new account packet – takes 2-3 weeks to open new account.

Do jurisdictions actively look for chameleon carriers?

- Five jurisdictions responded - Yes
- They have good relationship with local FMCSA. They provide a list of possible carriers.

What resources or databases are used to determine chameleon carriers?

- 9 out of 12 jurisdictions use PRISM or CVIEW
- 6 out of 12 jurisdictions use Clearinghouse

Also use:

- Use FMCSA portal and start researching through that.
- CSA outreach in FMCSA portal. Can pull up double the names; if names are close.
- Database A&I that will list all related accounts – not everyone has access to that.
- FMCSA A&I - Excellent site. Will tell you if same officials, same drivers. If you don't have access, recommend getting access. The site gives all known affiliations. <https://ai.fmcsa.dot.gov/nas2/>
- Do advanced search on VIN numbers.

What are some red flags?

- They do not have a valid CDL – ask for driver’s CDL to ensure a valid person driving the truck. If they give us a driver’s license for someone who has bad record. An account that has one vehicle – comes into register – drivers hopping from account to account. VINs important to verify.
- New carriers reporting actual distance.
- Carriers that have different DOT numbers. The company opening the account has a different DOT number than the Motor Carrier responsible for safety and it is not a leasing relationship.
- Hopping from jurisdiction to jurisdiction.
- Same VIN from one company immediately going to another company.
- Frequently transferring the vehicles. When letters go out advising of out of service – then start moving them, or start moving vehicles right before the notification goes out. Eventually will come back around to same out-of-service company.
- Example - Issue with husband moving company to wife’s name when there is an out of service order. Will change the address and phone number – but vehicle is still in original owner’s name.
- Cannot always find a correlation with new carrier. Often they are one step ahead – they don’t need USDOT number. Can come on as registrant-only. Becoming more noticeable. Google them – addresses are duplexes.
- DOT number for motor carrier responsible for safety changes.

Leasing Issues

- A lot of owner operators – relying on another’s safety authority – may change carriers four times and may have to renew it again. Unless jurisdiction alerted to that, jurisdiction won’t know.
- If a person is leasing onto another company and can provide a lease agreement, there is not much we can do. Still try to find some sort of correlation. But it can be a “shell game.”
- Anyone who comes into office – it’s not a requirement of FMCSA; but a requirement at state level – require lease agreement at each time they do that. Then we have all the documentation.
- Require new insurance and lease agreement.
- Larger carriers having an issue with owner-operators leaving a company but still using previous company’s USDOT number. It’s a concern for them. Determining a way to monitor that and remove that carrier would be an excellent idea.
- Notifications that owner-operators are no longer under lease and are not legal to operate unless they have a new USDOT number. Contact FMCSA if necessary.

Carriers that jurisdiction hop, what do you do? How can jurisdictions help each other catch them?

- Moving from one jurisdiction to another is not always a red flag; it can be legitimate.
- Verify that they were registered somewhere else. Obtain a copy of previous IRP cab card registration. Verify through CVIEW and Clearinghouse. If nothing can be found, call jurisdiction and ask what the expiration is. Review previous plate number and reported jurisdictions.
- If everything is in good shape, allowed carrier to register. If at a later date – take appropriate enforcement action at that time. Can be legitimate.
- Ask for proof of address per Plan. If everything in order, not a lot we can do if they jump jurisdictions. Do not have the personnel to verify every location.

Ask registrants what their last known state of previous registration and ask for copies of that registration.

- Make it part of your questionnaire.
- Check state of last IRP registration.
- Look up and run the VINs – if fully plated prior to sending application.
- Check clearinghouse by VIN.
- New accounts if coming from out of state – see exactly what state – when go through system – review other things on our checklist. Have to watch out for – when they file with the business bureau we require them to list officers.
 - Titling states do not register by VIN – register by issuance of a title. Must have a title. Sometimes – will do a title record. Require carrier to provide photocopy of the current title from the previous state of the vehicle registration or titling.
- Do you verify the location?
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 - Try using Google to see what it is.
 - System has some addresses flagged.
 - Require three different sources of residency as required by the Plan.
 - Many carriers will do all kinds of things to register, use virtual offices to confirm. Have a contact at local FMCSA; if they have an agent nearby, they'll check.
 - Ask for residential electric power bill.
 - Work with local FMCSA; inform us about carriers using address that is not legitimate.
- Looking at adding legislation. It's difficult when able to get a US DOT number. When possible chameleon carriers are identified and notify the feds; it takes them a while to do an investigation. Hopefully able to put legislation in place. Also have to look at intrastate and interstate carriers.
- Issue with US DOT numbers will be solved when DOT starts charging money for them. We do restrict the vehicle at VIN level – IRP and IFTA clearinghouses. Also mark that VIN on our main database. We run a lot of ad hoc reports verifying the carrier is using same address, DOT number. If there's a whole bunch of accounts using the same one. Require that they have leasing agreements.
- PRISM states - leasing agreements are required.
- Identify many carriers through application/renewal processing and audit. Audit selection – when carriers come in with multiple vehicles. Start the company with one vehicle. Next month add 20 vehicles with multiple vehicle transfers – that's a red flag. Some change the name just slightly.
- If they're on the federal out of service order, the fee for DOT number won't be much of a deterrent. It is only \$350.00 right now
- If you are able to deny due to out of service then have a statute on the books. To deny registration we have to come up with a law because the FMSCA's time to investigate suspect carriers takes too long.

How can jurisdictions work together on this?

- Communication!
- If you don't know the answer or you need to know, call.
- Contact sister jurisdiction of a possible red flag carrier.
- The jurisdictions have to be willing to answer questions/provide information.
- Reminder to update your contact information.
- Use directory/contact information on IRP website.
 - Update your jurisdiction's contact information on the IRP website

How many jurisdictions have laws involving chameleon carriers?

- 37 states are with PRISM

To what extent do jurisdictions pull the license plates?

- 5 out of 7 jurisdictions pick up plates.

How do jurisdictions

- PRISM sends out MCSR report, correct by contacting the carrier. Ones with the wrong MCSR. There will be a task force – Volpe FMCSA.
- Changing to 10 days to change MCSR. Concern with electronic readers – 10 days or 30 days – need it to be immediate, should be able to make that change right away.
- Majority of discrepancies with leasing companies. Not sure if PRISM rules are understood – long-term and short-term leases. Some are truly wrong; some officers made a mistake; the majority are leasing companies. A revolving door sometimes. Need different set of criteria.

What percentage of carrier changes are proven to be chameleon carriers?

- Percentage of chameleon carriers is small.

Seeing any behavior changes resulting from the practice of picking up plates?

- When plates are picked up, carriers who did not pay, pay.
- Many carriers bring plates into office and receive training on what they should be doing.
- The reason behind many chameleon carriers is they owe money. We have them correct the issues.
- May not be able to pull the plates, but there is an active revocation. Carriers know this, but create fraudulent temporary permits. This is a criminal charge for creating fraudulent credentials and interstate crossing.

IRP database just for chameleon carriers?

- Jurisdictions that maintain databases with this information; it would be great to be able to upload and share. When not paying on time. Registration and tax. Outstanding debt; a range of things.
- Currently the existing databases are: PRISM; CVISN; Clearinghouse
- IFTA different in language – moneys owed to jurisdictions and denying registration
 - Would IFTA revoke because of parking ticket?
 - IFTA tickets are different from parking tickets
 - If you owe IRP – take action

Do any auditors online have any experience with detecting chameleon carriers during an audit?

Three jurisdictions responded:

- Case where trucks were registered in daughter's name but father still running the company. Sent letter to jurisdictions they might move to.
- Fairly large company – a large assessment. Suddenly, sold all their vehicles to a company elsewhere. Person who bought them and opened the account was safety manager of previous company; owner of previous company was CFO. Worked with neighboring jurisdiction to shut them down.
- Audit involved 7 accounts – only 4 were active. Transferring vehicles back and forth – pretty large assessment. Finding the relationship was difficult. Had to obtain corporate documents including amendments listing changes in corporate officers from the Secretary of State.

Does the implementation of FRP have any impact on chameleon carriers?

- No. Actual miles – only a small part. – FRP didn't change anything. To identify a chameleon carrier it is more about the vehicles/officers. Not mileage.

Tips

- Tip: When you find a chameleon carrier, work with federal motor carriers' state office. They're helpful and they want to know about it too. Jurisdictions have been successful working with their local FMCSA office...
- Tip: Work with state patrol and commercial vehicle inspectors. They may see something on the road that's not quite right – they're concerned about safety of vehicles too. If carrier out of service, they want to know.
- VIN verifier. There have been issues of fraud – verifying vehicles when they shouldn't be.

Fraud element?

- Had a situation where we've turned all the information over to our local federal motor carrier office. There's something amiss. We have a company bringing on what they claim are owner-operators; after their first year of registration, these owner-operators are getting their own DOT numbers with that company's address.
- Used Investigative Services Bureau to investigate a carrier. His background checks are more in-depth and when he interviewed the carrier, he saw the "whites of his eyes."
- Department of Revenue is used to investigate.