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## FROM THE EDITOR

We hope the New Year finds each of you safe and prosperous. The New Year brings much opportunity for auto dealers and we hope that your dealership is very successful in the New Year.

There is much to communicate regarding Form 8300, anti-money laundering, and anti-structuring for the auto dealer industry.

The Catch the Cash Newsletter brings you the latest activity related to auto dealers and their compliance requirements related to Form 8300, anti-money laundering, and anti-deal structuring.

Please take a look through the newsletter for all of this and much more.

You may subscribe to Catch the Cash by emailing [info@ctmservices.net](mailto:info@ctmservices.net) with the subject line "Subscribe Me Now!".

Please forward your comments and requests for content to us at: [info@ctmservices.net](mailto:info@ctmservices.net).

## IRS STEPS UP ITS ANTI-MONEY LAUNDERING EFFORTS

by: Robert Dunlap,  
Partner, CTMS

IRS has recently stepped up their anti-money laundering activities in several ways. IRS Criminal Investigation has established a Counterterrorism section that focuses investigative efforts on money laundering activities associated with terrorist financing.

This has included an increased focus on Form 8300 compliance activities for auto dealerships particularly an increase in Form 8300 audit activity. In the last 2 or 3 years, IRS has been beefing up its Agent staff to perform Form 8300 and CTR audits. Previously, Form 8300 audits were performed by Revenue Agents whom were well trained in income tax matters but much less so in Form 8300 matters. Moreover, Form 8300 audits were previously conducted as part of an income tax audit and as a result, did not receive the scrutiny or attention of the income tax matters.

"This has all changed. IRS now has specialized cadre of Agents that are highly trained in this area and are assigned full time to perform Form 8300, CTR, and anti-money laundering audits.

"We have seen a significant increase in the number of Form 8300 audits being conducted by the IRS" commented Joseph F. Lujan, President of Cash Transaction Management Services. "It appears that large dealership groups are being targeted by the IRS and they are focusing on the group as a whole. So instead of deficiencies (and accompanying penalties) discovered at a single dealership, these deficiencies are being discovered throughout the group which can create significant assessments for dealership groups", added Lujan.

"Smaller dealership groups are not off the IRS audit radar", commented Lujan. The audit frequency is increasing for small groups as well.

Dealership groups need to be made aware that unless they have a comprehensive Form 8300 compliance program in place, facing an IRS audit could be a daunting task and result in a substantial assessment for the entire group.

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## OUR LEADERSHIP TEAM

### Joseph F. Lujan

*President*

Mr. Lujan is a former IRS Special Agent with over 20 years experience whose primary responsibility was to conduct investigations and also develop agency projects designed to train and assist the business community identify violations related to cash transactions and money laundering.

Mr. Lujan was also instrumental in developing the agency's training manuals related to these subjects. Mr. Lujan has worked as a consultant for over twelve years assisting auto dealerships establish effective corporate compliance programs related to IRS Form 8300 and anti-money laundering requirements.

Mr. Lujan manages CTMS' audit activities and can usually be found at automotive dealerships assisting them with Form 8300, anti-money laundering, and anti-structuring programs.

Mr. Lujan has been instrumental in developing the "Catch the Cash" training academy.

Mr. Lujan is a Certified Fraud Examiner (CFE) and over sees CTMS audit programs.

### Robert Dunlap

*Partner*

Mr. Dunlap is a former Big Four Accounting Firm Partner with over 15 years providing tax service to large companies including Fortune 500 companies. Mr. Dunlap was also Partner in Charge of two national practices leading hundreds of tax professionals to achieve great personal and professional success.

Mr. Dunlap is also a former administrative law judge and Deputy City Auditor. He is also a current member of the Arizona Bar and Arizona Society of CPA's.

### Mark Whitney

*Chief Operating Officer*

Mr. Whitney is the Chief Operating Officer for CTMS. He is a former government audit director as well as a former manager for a Big Four accounting firm.

Mr. Whitney was instrumental in developing the "Catch the Cash" training academy that enables auto dealership employees to be training in an online, interactive and dynamic environment. Mr. Whitney also oversees CTMS' operations.

Mr. Whitney is also a CPA and a member of the American Institute of Certified Public Accountants and the Arizona Society of CPA's.

## CTMS Develops Online Training Tool For Cash Transactions

Cash Transaction Management Services or CTMS recently developed Catch the Cash Training Academy. The Catch the Cash Training Academy is a state of the art, online, training academy that will enable CTMS client's employees to be trained 24 hours a day seven days a week at their dealership locations related to cash transactions.

Catch the Cash Training Academy combines the unparalleled expertise of former IRS Special Agents and the latest internet training technology into highly interactive online training courses that makes training dealership employees related to Form 8300 and money laundering highly effective, enjoyable, and convenient.

Catch the Cash Training Academy's most beneficial characteristics are:

- Online and available 24 hours a day, seven days a week.
- Highly interactive with state of the art design
- Developed by a team of experts in the area of Form 8300 and Money Laundering
- Comprehensive approach to learning including: instruction, knowledge checks, final exam, completion certification and employee agreement to follow the dealership's policies related to cash transactions.

CTMS developed Catch the Cash Training Academy to address the concerns of dealerships that were far too often left unprotected because employees were not properly trained. With Catch the Cash, no longer will dealerships be at the disadvantage of trying to figure out whether all their employees will be trained. With Catch the Cash Training Academy, dealership employees can be trained as part of the on-boarding process and never hit the floor without understanding what the law requires and how to protect the dealership.

To see the Catch the Cash Training Academy please log on to: [www.ctmservices.net/academy.asp](http://www.ctmservices.net/academy.asp).

## Around the Country



News that impacts your dealer-

### **Tuesday, January 9, 2007 — Auto Dealer Manager sentence to six months in jail**

An auto sales manager on Milwaukee's south side has been sentenced to six months in jail for lying on IRS Form 8300. James Letizia Jr. the son of the dealership's founder also must pay a fine of \$15,000 and serve three years of supervised release, according to court records. IRS Form 8300 allows the IRS to track cash transactions over \$10,000. By signing Form 8300, businesses attest that the information on it is true. Letizia admitted falsifying the form by putting a false name on it, according to court records.

### **Wednesday, October 11, 2006 — Auto Dealer sentence to two years in prison**

Mark Kowalski of Killingworth, Connecticut was sentenced by United States District Judge in Hartford to 23 months imprisonment, followed by three years of supervised release. On April 11, Mr. Kowalski waived indictment and pleaded guilty to one count money laundering, one count filing a false currency transaction report and one count of failing to report a currency transaction of more than \$10,000, according to the United State Attorney's office on Connecticut.

*'Comprehensive Compliance program helps protect dealerships' continued from page 1...*

## IRS STEPS UP AUDIT EFFORTS

A comprehensive compliance Form 8300 and AML program includes:

- Training and Certification of all Sales, F&I, and Accounting employees
- Written policies procedures related to Form 8300 and AML
- Independent audit of transactions to help ensure complete compliance

Robert Dunlap, is the Managing Partner for Cash Transaction Management Services and can be reached at 602.663.4005.

## WHY WERE WE CHOSEN FOR AUDIT?

By: Mark Whitney

Have you ever wondered why your dealership was chosen for a Form 8300 audit by the IRS? The IRS selects dealerships to audit for several reasons. We sat down with Joseph F. Lujan, former Special Agent with the Criminal Division of the IRS to discuss the reasons dealerships are chosen for audit:

**Moderator:** Mr. Lujan, can you explain to us why some dealerships are selected for audit when others are not?

**Mr. Lujan:** There are a number of reasons why dealerships are chosen for audit. The most common contributing factors dealerships are chosen for audit are because a large number of Form 8300s are filed late or contain errors or omissions of required information. IRS maintains records on dealerships and when the file becomes large due to excessive correction notices or late filings, dealerships increase the likelihood they will be chosen for audit.

**Moderator:** So if the dealership completes the Form 8300 properly and files them on time, they reduce their chances for audit

**Mr. Lujan:** Absolutely. If the dealership completes Form 8300 and files them in a timely manner this will significantly lessen their chances of being chosen for audit but it does not guarantee they will not be chosen

**Moderator:** What else may cause the IRS to initiate a Form 8300 audit?

**Mr. Lujan:** The IRS also compares the number of Form 8300s filed by the dealership with the dealership's depositing bank with the number of CTR's filed. If there is a wide disparity between these filings, the IRS may also initiate an audit.

**Moderator:** Does the IRS have the staff to review this type of information on a regular basis?

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## WHY ARE DEALERSHIPS CHOSEN FOR IRS FORM 8300 AUDIT?

**Mr. Lujan:** It may be surprising to some, but the IRS does have the resources to perform such a review on a regular basis and this review leads to IRS Form 8300 audit initiation.

**Moderator:** Are there other reasons why IRS initiates Form 8300 audits?

**Mr. Lujan:** Sure. IRS also chooses dealerships because they are part of a large group. This allows them to conduct an audit of a number of dealerships with similar compliance systems and helps them draw conclusions for a large number of dealerships.

**Mr. Lujan:** IRS may also initiate an audit based on a tip from an informant. The informant is most often someone arrested for a major crime such as drug dealing. This type of information can be very devastating to a dealership because it usually involves information relating to illegal structuring or filing of a Form 8300 containing material omissions or misstatements. This can occur when the true buyer paying the cash is not shown on Form 8300 but instead a nominee, such as a girlfriend, is reflected on Form 8300 as the payer of the cash.

*Mark Whitney is the Chief Operating Officer for CTMS and can be reached at 602.695.3261.*

## THE PATRIOT ACT AND HOW IT AFFECTS AUTO DEALERSHIPS

By: Joseph F. Lujan

The U.S. Patriot Act (The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act) of 2001 was signed into law by President George W. Bush on October 26, 2001. The U.S. Department of Treasury and more specifically the Financial Crimes Enforcement Network (FinCen) was charged with creating detailed regulations for industries that must comply with the Act. FinCen has created regulations for financial institutions segments (i.e. Banking, broker-dealers, etc.) that require these organizations to possess the following controls:

- Develop internal policies, procedures, and controls
- Designate a compliance officer
- Maintain ongoing employee training program
- Possess or purchase independent audit function to test programs

Regulations for automobile retailers (companies in the business of “vehicle sales”) have not been published to date. Inquiries of FinCen did not yield any new information regarding whether regulations for automobile retailers will be created in the future. FinCen is prohibited from discussing proposed regulations. This newsletter will continue to monitor the latest news related to these regulations that may affect the automobile industry.

It is our belief that these controls are an additional layer of regulation that is not necessary because dealerships are already held to these standards by IRS during Form 8300 audit or investigation. We have seen dealerships assessed large penalties because of intentional disregard or corporate indifference as demonstrated by the lack: a) written policies, b) an ongoing training program, or c) independent audit of Form 8300 compliance. So regardless of whether these regulations are published in the future or not, dealerships that do not possess the foregoing controls, increase the risk of IRS scrutiny regarding Form 8300 compliance and future large penalties.

*Joseph F. Lujan, is the President of CTMS and can be reached at 520.360.8976*

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