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FROM THE EDITOR

We are very excited about "Catch the Cash" Newsletter. It is our hope that this newsletter will provide you with the latest news about cash transaction reporting and money laundering in the automobile industry and related industries and give CTMS a forum in which to answer questions that our team fields on a day-to-day basis.

This newsletter will also enable CTMS to keep you up-to-date with what we are doing and give you the opportunity to ask questions that we will answer in the Letters to the Editor column in future issues.

Catch the Cash Newsletter will initially be available in electronic and print form. We plan to issue subsequent issues in electronic form only. You may subscribe to Catch the Cash by emailing info@ctmservices.net with the subject line "Subscribe Me Now!"

Please forward your comments and requests for content to us at: info@ctmservices.net.

COMPREHENSIVE CASH COMPLIANCE PROGRAM HELPS TYSINGER DEALERSHIP AVOID PENALTIES

by: Mark Whitney,
Chief Operating Officer, CTMS

Tysinger Motor Company of Hampton, Virginia was recently relieved of IRS penalties by United States District Court, Eastern District of Virginia. The Court concluded that Tysinger "set up an internal system to ensure compliance with IRS reporting requirements" and "had not intentionally disregarded the filing requirements".

Tysinger Motor Company was audited by the IRS for Form 8300 filing compliance for the year 1999 and 2000. During the course of the audit, the IRS discovered that Tysinger had failed to file four Form 8300s as required by federal law. The IRS assessed \$100,000 (\$25,000 for each missed Form 8300) in penalties. Tysinger paid the penalties and filed a petition to recover the penalties paid.

The Court recently concluded that "Tysinger has proven by a preponderance of the evidence that it did not act with "intentional disregard" in failing to file the Form 8300s. Accordingly, the Court has entered a separate order awarding Tysinger the sum of \$100,000, plus prejudgment interest accrued from the date that Tysinger initially paid the penalty."

"This is a huge win for Tysinger, but make no mistake Tysinger is very fortunate" concluded Joseph F. Lujan, President of Cash Transaction Management Services (CTMS). CTMS is the nation's leading resource to assist auto dealerships with cash reporting and anti-money laundering requirements. Tysinger proved to the Court that their Form 8300 compliance program was adequately designed but failed to function effectively, and that was enough to persuade the Court, commented Lujan.

"We are thrilled for Tysinger and the entire auto dealership industry. What dealerships need to understand is that this case alone does not protect them", commented Lujan. "Only a comprehensive Form 8300 compliance program that includes training, written policy and procedures, and transaction auditing/monitoring will help to protect auto dealerships from the threat of enormous fines" (fines are assessed at either the amount of the transaction or \$25,000 whichever is larger).

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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 has been instrumental in developing the "Catch the Cash" training academy. Mr. Lujan is a Certified Fraud Examiner (CFE) and oversees CTMS audit programs.

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.

Gordon Meyer

Associate

Mr. Meyer is a former IRS special agent with over 20 years of investigative experience including specialized training in the areas of Form 8300 and money laundering.

As a private consultant, Mr. Meyer has trained thousands of dealership employees related to Form 8300, anti-money laundering, and anti-structuring. As a consultant, Mr. Meyer has also conducted hundreds of Form 8300 audits that have helped dealerships understand their compliance system shortcomings as well as recommend how dealerships can better protect themselves from the risks of Form 8300 compliance and money laundering.

James Dembitz

Associate

Mr. Dembitz is a former IRS special agent with over 20 years of investigative experience including specialized training in the areas of Form 8300 and money laundering.

As a private consultant Mr. Dembitz has trained hundreds of dealership employees related to Form 8300, anti-money laundering, and anti-structuring. As a consultant, Mr. Dembitz has also conducted numerous Form 8300 audits that have helped dealerships understand their compliance system shortcomings as well as recommend how dealerships can better protect themselves from the risks of Form 8300 compliance and money laundering. Mr. Dembitz also specialized in government sting operations while with the IRS.

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.



NEWS THAT IMPACTS YOUR DEALERSHIP



Friday, August 23, 2006 — Auto Dealer pleads guilty on two charges

Mohsen Ghiassi, former owner of Auto Trend Inc., pleaded guilty Wednesday to one count of failing to notify the IRS of a cash transaction exceeding \$10,000 and one count of structuring financial transactions with a bank to evade federal reporting requirements, the U.S. Attorney's Office in Nashville reported.

Ghiassi admitted to selling seven vehicles to Gomez during his tenure as owner of Auto Trend Inc. between 2001 and mid-2003, for which he was paid about \$50,000 cash in money related to drug trafficking, the federal office said in a news release.

Wednesday, May 24, 2006 — Government Sting Produces arrest on money laundering

James Letizia of Milwaukee has been indicted on two money laundering charges in federal court in Milwaukee. If convicted on both charges, he faces a maximum penalty of 23 years in prison and \$350,000 in fines.

According to the indictment, Letizia was the target of an undercover operation by the Criminal Investigation Division of the IRS. An undercover agent represented that cash used to purchase the vehicle was "proceeds of specified unlawful activity," according to the indictment. The indictment alleges that Letizia knew the money came from illegal activity and agreed to sell the car to help conceal that fact.

Tuesday, April 22, 2006 — Car Dealer Pleads guilty to Money Laundering

Mark L. Kowalkski of Killingworth, Connecticut, waived indictment and pleaded guilty today before United States Magistrate in Hartford to one count of money laundering, one count of filing a false currency transaction report, and one count of failing to report a currency transaction of more than \$10,000. The Federal Bureau of Investigation and Internal Revenue Service conducted an undercover operation in which Kowalkski agreed to conduct the transaction even though he knew the money was from illegal activities.

'Court Rules in Favor of Tysinger Automotive' continued from page 1...

DEALERSHIP AVOIDS PENALTIES

"In addition, the truth is that although these civil fines can be large and tragic for a dealership, they are really only the tip of the iceberg when it comes to risks associated with cash transactions for a dealership. The greater threat to dealerships is the risk of money laundering that can bring a dealership to its knees. In criminal cases penalties are insignificant compared to criminal charges or even forfeiture of a dealership", commented Lujan. Comprehensive training and policies can help to minimize this risk for dealerships.

Mark Whitney, is the Chief Operating Officer of Cash Transaction Management Services and can be reached at 602-695-3261.

SELLING OR STRUCTURING, WHICH IS IT?

By: Robert Dunlap

Sales personnel at auto dealerships have a very important objective, to sell vehicles. Yes, building customer loyalty is important, but without results even the most effective relationship builder will not be successful unless he or she closes deals.

Unfortunately, this objective is taken to the extreme by some sales personnel and they find themselves on the opposite side of the law.

We sat down with Mr. Joseph F. Lujan, former IRS Special Agent, who is a bona fide expert in the area of anti-structuring and selling to discuss his experience with sales and F&I personnel. He has over the course of his career trained thousands of auto dealership sales and F&I personnel related to Form 8300, anti-money laundering, and anti-structuring.

Moderator: What is structuring?

Mr. Lujan: Structuring is the act of deliberately and intentionally designing a payment method which will result in a Form 8300 either not being required or one that will result in a material omission or misstatement if one is filed.

Moderator: Do dealership employees really offer to structure transactions?

Mr. Lujan: Most dealer ownership groups believe their employees understand the rules related to structuring and do the right thing. Unfortunately, our experience with dealership employees indicates that they do not understand these rules. Because salesman are typically taught to take care of your customers needs to make the sale and do whatever it takes to make the sale, they can get themselves, and the dealership into trouble without appropriate anti-structuring training.

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SELLING OR STRUCTURING, WHICH IS IT?

Moderator: So once employees receive appropriate anti-structuring training dealerships does not need to worry any longer?

Mr. Lujan: I wish that were the case. Unfortunately, with the competition of other dealerships and the turnover of sales and F&I personnel, the risk of employee deal structuring never goes away for a dealership. We recommend formal training of employees be documented and all employees receiving this training sign a corporate compliance statement agreeing to comply with stated company policy. If ever necessary, this can go a long way in establishing to the government that the dealership itself is doing everything possible to be in compliance and if there is a compliance problem, it rests with the individual responsible employee and not the dealership.

Moderator: What can a dealership do to help ensure that they are protected from their employees actions related to structuring?

Mr. Lujan: Employees should be required to receive structured annual Form 8300/anti-money laundering training, be tested and certified as to their understanding, and sign a formal corporate compliance statement.

Moderator: We understand as part of the introduction to your onsite training courses, you request ideas from the dealership employees about how to get deals done with someone that comes into the dealership with cash but does not want the Form 8300 to be filed. Can you share some of these ideas with us?

Mr. Lujan: Typically employees being trained offer several illegal structuring suggestions, each of which is designed to accommodate the customer and avoid a Form 8300. Some of the more common illegal structuring offers sales and/or F&I personnel suggest are:

- Pay \$9,900 currency down, finance the balance, pay it off before interest accrues.
- Deposit small amounts of currency into your checking account, never more than \$10,000 in one day, then write a personal check for the entire amount due for the automobile.
- Give your cash to a trusted individual who will then buy the car for you in their name. In this manner their name will go on the Form 8300 and not yours.
- Buy two or more automobiles each under \$10,000 cash. Trade these vehicles in, together with less than \$10,000 in cash towards the car that you are really wanting to purchase.
- Take cash to the bank, purchase a large cashier's check that would not be reportable for Form 8300 purposes.

These structuring suggestions generally are made in the false belief that a "loophole" was found to avoid the Form 8300 and that nothing improper was being suggested. We teach employees to clearly understand that any suggestion made for the purpose of structuring a transaction to avoid Form 8300 is illegal and that both the individual and the dealership could be subject to heavy penalties or even prosecution.

Moderator: What kind of trouble could employees or the dealership get into?

Mr. Lujan: It is a felony offense to structure or attempt to structure a transaction in any way to avoid filing of a Form 8300. IRS Special Agents are fully aware that salespeople sometimes originate structuring suggestions and as a result, the IRS has conducted many "sting operations" that have resulted in indictment of employees. If a dealership does not have in place a sound and demonstrable employee training and compliance program, it can be held responsible for the illegal acts committed by its employees. If there is illegal money involved, the problems are compounded and can even result in forfeiture of the dealership to the U.S. Government.

Robert Dunlap is a partner with CTMS and can be reached at 602.663.4005.

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