

HEADLIGHTS



A PUBLICATION
OF THE AutoCPAGroup

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SERVICE DEPARTMENT TIPS

With service retention paying for over half a dealership's overhead, close attention to details can add significantly to your dealership's bottom line.

The following are some ideas we have seen in stellar service departments.

Sales at write-up are where it all happens. Maximize the time with the customer and vehicle, as opposed to sitting behind a desk answering telephones and not concentrating on the vehicle in the driveway. Try to get customers to schedule their visits by appointment, letting them know that you can serve them better if they arrive at a specific time. When the appointment is set up, ask for the current mileage reading on the customer's car. This gives the service writer time to review prior service work and look for other recommended services based on the vehicle's age, current vehicle mileage and most recent service work performed. Review any customer-declined service to see if you can discount it to add hours to the repair order (RO).



**Kenneth R. Rosenfield, CPA
Rosenfield and
Company, PLLC**

After reviewing the issues of why the customer came in, "walk" the vehicle with them. Look for blemishes you can fix. Review tread wear on the tires to see whether the vehicle needs an alignment, brake job or other services/items. Look at the smears on the windshield to see whether the wipers need replacement. While this is going on, consider opening the hood and checking the condition of the fluids to see whether they need changing. These steps can all add to the longevity and safety of the customer's vehicle, as well as increase your bottom line.

When the vehicle goes into the service bay, the needed parts should be there waiting. That saves time and keeps mechanics doing what they do best—not spending time waiting. This is best accomplished with a good scheduling and dispatch system in place.

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**INSPECT WHAT
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When the vehicle goes up on the rack, have the mechanic review the condition of the vehicle and fill out a checklist for additional service items that could be performed on the vehicle. Good communications with the adviser on this possible additional work is critical. Also, consider giving the customer a discount to get the work completed immediately. Customers appreciate knowing the condition of their vehicle and want it to be reliable.

Some dealerships promote these methods with their technicians by holding contests, with rewards going to those who best follow these procedures

and garner additional service work on customer vehicles. Use “pull boards” at the end of each week, month or quarter for such rewards as cash, lottery tickets and vouchers for meals at local restaurants.

Finally, a clean service department is a happy service department. Consider holding contests for the cleanest stall at the end of the day, perhaps giving the winner the use of another bay for a period of time to work on multiple ROs to hit bigger numbers. Making work fun can go a long way toward profitability. Contact your **AutoCPA**Group member to discuss any of these tips. ↗

INSPECT WHAT YOU EXPECT

“Inspect what you expect” is a phrase with which we all are familiar. During the economic downturn, it was a principle constantly applied to dealerships. Dealership policies and procedures were routinely inspected to ensure compliance. Currently, we are in an environment with a surging dealership economy, and one thing that dealership management is getting away from is the “inspect what you expect” mentality. If a policy or procedure was deemed relevant to adopt in the past, is it no longer relevant to ensure its application by reviewing it periodically?

At a dealership manager meeting, I inquired whether the dealership service cashier had the ability to alter a repair order (RO) prior to its closing. The dealer noted that he had been in the business for many years, and “the cashier could never alter a RO” prior to its closing. I later asked the service cashier the same question—and she assured me she could. To be certain, I had her obtain an open RO and change the sale amount. Sure enough, she could do it. She told me that she routinely changes ROs because the service advisers did not want the service manager to know that they were making policy adjustments.



Wayne Zimmerman, CPA Pomares & Company, LLP

At another meeting, a dealer indicated that he was having problems with his parts inventory. When the parts physical observation was reconciled, there was a significant shortage. The dealer indicated that he followed all the recommended parts inventory expert’s policies and procedures. Questioned about his parts manager’s cycle-count

procedures, he nodded his head to indicate that this was being done. Bins were cycle-counted at least three times a year, and the results were provided to the controller at each month’s end.

The dealer and I then spoke with the parts manager to inquire about his cycle-count results. The parts manager said that he had not completed any recent cycle counts because of new employee training, fewer employees and an increase in wholesale sales. This had been going on for over a year. The controller was then questioned about why this was not part of his normal month-end process. He said that no one seemed to care about the cycle-count results, and he took that to mean it was no longer relevant.

If you think something is worth doing, it is worth doing right. If you have established policies and

procedures, make sure that they are being properly applied on a regular and continuous basis. Imposition of the “inspect what you expect” mentality will reinforce all employees’ belief in

the importance of these policies and procedures, and increase the likelihood of their completion. Contact your AutoCPAGroup member if you wish to discuss these issues further. ↵

2014 REGULATORY WATCH LIST—KEEP YOUR EYES OPEN

Over the past several years, a great number of dealership practices have come under scrutiny. From the PATRIOT Act to the Dodd-Frank Act, which gave rise to the Consumer Financial Protection Bureau (CFPB), the auto dealer business has found itself in the crosshairs of regulators. Pressure comes from the states’ attorneys general, motor vehicle departments and other local oversight entities, and now the Federal Trade Commission. Many of the issues concern the Finance and Insurance (F&I) departments. It is easy to become complacent about these issues, but by the time you realize you have a problem, it is often too late. Review the policies and procedures in your departments to keep ahead of the curve.

Packing Payments and Adjustments: The Truth in Lending Act requires that customers be given written disclosure of the term, interest rate and monthly payment. This includes any add-ons the customer may purchase. Any changes to the customer’s agreed-upon price must be fully disclosed in writing. Not doing so is a deceptive practice.

Falsifying Customer Information: This may seem like a “Come on, who does that?” issue, but small discrepancies can be construed as falsifying information. Items and blanks on the customer’s credit application regarding income or debt can be an issue if the deal goes bad. Also, F&I personnel completing fields on the credit application in handwriting or the customer’s not signing the application could be a smoking gun.

Full Disclosure: All products and terms are required to be disclosed to the customer,

and the disclosures should be conspicuous. Dealerships using menus should make certain that the cost of the products as well as the terms agree with the subcontract, buyer’s order and final contract. An individual unfamiliar with the deal should be able to follow the deal’s progression from the four-square to the final contract. Confusion with the paperwork and discrepancies within the deal can certainly create issues with the regulators.

Disparate Impact: Unintended discrimination is still illegal. The Equal Credit Opportunity Act does not allow creditors to charge different prices and terms to protected classes that cannot be targeted for discrimination. Protected classes include a great many customers who walk into dealerships. Creating standard markups or maximums on products may alleviate some of the risk.

Privacy: With identity theft being a significant issue today, dealerships need to take seriously keeping customers’ personal information private. This includes safeguarding deals while in process and limiting access to areas of the dealership where customers’ personal information is kept.

Cash Reporting: Do not forget about Form 8300. Money laundering remains a big issue and a hot

Donald M. Kretschmar, CPA
Donald M. Kretschmar CPA, PLLC



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button with the government. Review your training processes for reporting cash transactions and compliance with those processes by self-audits or third-party audits.

These are just a few of the major issues to be mindful of as you go forward. Remain diligent, honest and proactive to find and avoid potential pitfalls. Contact your **AutoCPAGroup** member if you wish to discuss this topic further. ✉

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