



Is Your Dealership Out of Control?

The New Year has come and I know we are all excited about a better 2010 than 2009. Most dealers are as low on staff and have more people cross utilized than ever before. This was part of a survival plan for most dealers, and rightfully so. Even consultants and CPA's such as myself have advised everyone to scale way back and push everyone to their limits. While looking at the structure of your dealership, remember that controls are still important. Below are several things to consider which will help to keep your finances secure and cost little or nothing to implement.

1. Have the bank statement sent to your home and not the dealership.
2. Review all journal entries made during the month with supporting documentation, proper authorization and the general journal schedule. Compare these items to ensure proper support and authorization.
3. On a periodic basis, hand out paychecks to all employees.
4. Ask for the monthly bank reconciliation. Ask about anything you feel is unusual (i.e. old outstanding checks and/or deposits). Look at the support for old items.
5. Review cancelled checks from the bank to ensure dual signatures on all bank accounts. If only 1 signature required (the owner) ensure the signature matches.
6. Create a false vender invoice and see if your bookkeeper/AP clerk asks what it is.
7. Compare the address for vendors to the addresses of employees.
8. Review the addresses of all vendors. Are any of them post office boxes? Can you verify them on the internet?
9. Count petty cash while the cashier watches. This needs to be done on a surprise basis, occasionally when it is a busy period.
10. Scan a month of petty cash vouchers. What is being run through petty cash? Are receipts authorized? By Whom?
11. Review the employee receivables. Ask questions about the collections being made. It is a good idea not to allow employee receivables.
12. Verify there are **no** company credit cards. This can be accomplished by requesting a credit report from all 3 major credit bureaus annually and looking at what has open accounts. Close any accounts that you are not using. If you do have a credit card, require all receipts, and **reconcile it** just as you would a cash account monthly.
13. Do not cash employee checks.
14. Account for all keys to the dealership or change the locks and hand out new keys. Consider an electronic RFID lock system. This can be more cost effective over many years and prevents unauthorized copies of keys.

John E. Donaldson, CPA
Potter & Company, P.A.
704-926-3300