

10th ANNUAL AUTO TEAM AMERICA CFO/CEO FORUM A SUCCESS

Auto Team America held their 10th annual CFO/CEO forum on Friday, January 30, 2004, in Las Vegas, prior to the beginning of the NADA convention. The forum was a major success as several hundred attendees enjoyed the forthright and earnest words of this year's speakers. Attendees included dealers, managers, controllers and related industry associates involved in dealership business management.

The featured speakers were Jim Ziegler, Marc Crumback, and Eric Chase, Esq. Following the theme of this year's forum, *Are You Ready?*, each spoke on various topics currently affecting the automotive industry.

Jim Ziegler, President of Ziegler Supersystems in Duluth, GA, provided a tremendous amount of current valuable information to the dealership community on the automotive industry. As usual, Ziegler kept everyone on the edge of their seats with his forecasts regarding the various manufacturers and relations between dealerships and factories. Ziegler ended on a guarded note by pointing to a number of consumer

fraud issues that are affecting F&I departments in dealerships.

Marc Crumback, a partner at Beers & Cutler PLLC, an ATA member firm in Washington, DC, provided an update on the FTC customer information security regulations that have the dealerships working hard to be in compliance. The Safeguards Rule implemented the privacy protection provisions of the Gramm-Leach-Bliley Act and applies to all financial institutions, including automobile dealerships. As of May 23, 2003, virtually all automobile dealerships in the United States were required to have in place specific safeguards to protect customers from identity theft. Crumback offered a comprehensive approach to establishing an information safeguard program in dealerships.

Eric Chase, Esq., a partner in the law firm of Bressler, Amery & Ross in Florham Park, NJ, shared his growing concerns with franchise relations and the escalation of consumer litigation. He picked up where Ziegler finished, stressing his apprehension that dealers are being targeted for consumer litigation. Chase reviewed best practices for preventing and deterring exposure to consumer litigation, which included maintaining clear policies and knowing and adhering to

applicable state and federal regulations. He also discussed the current state of franchise terminations and the rights of first refusal that manufacturers have established.

Auto Team America was pleased with the content and astounding turnout at the 10th annual CFO/CEO forum, as well as the positive feedback from this year's attendees. If you have any questions about any of the topics discussed at the forum, contact your local ATA firm.

MONTHLY PARTS INVENTORY RECONCILIATIONS: AN IMPORTANT INTERNAL CONTROL

Have you ever had an outside agency perform a physical parts inventory? If the physical inventory found a difference greater than the acceptable +3% variance, then you should consider performing monthly reconciliations between the parts department inventory ("PAD") and the general ledger.

Performing a monthly reconciliation between these two separate systems is a great internal control. It will monitor the parts department and help you determine what is creating any differences.

Corrective measures can then be implemented in order to gain better control of the procedures on the collection and processing of information in both your accounting and parts departments.

It takes cooperation between the dealer, the parts manager and the office manager to reconcile the monthly parts inventory. Upon completion, you might find that the numbers do not agree. Here are a few questions to ask during your investigation:

- Does the cost on the purchase invoice match the cost on the sales invoice?
- Are core returns properly handled?



QUICK CHECK

Do you have accounting internal control procedures set up in your dealership?

A basic, but highly beneficial, accounting internal control procedure is for the Dealer to obtain the monthly bank statements directly.

The dealer should review each cancelled check's number, date, payee, amount, signature and endorsement for accuracy, reasonableness, and appropriateness.

After completion of this review, the Dealer should subsequently review the bank reconciliation prepared for that month.

This simple procedure may or may not reveal some surprises, but will send an important message to those handling the checking account responsibilities.

- Are the factory's accounts payable invoices processed in the accounting department on a timely basis?
- Are parts purchased from non-manufacturer suppliers kept current by the accounting department?
- Does the accounting department properly account for parts returns?
- Does the accounting department properly account for discounts taken or premiums paid?
- Are cost estimates for bulk and generic products uniformly used by both departments?

After reviewing the above items, some additional explanations for discrepancies can include one or more of the following:

- Price tapes reporting increases or decreases have not been recorded.
- Documents are missing.
- Non-parts items are accounted for in the inventory.
- Obsolete parts were removed (either donated or disposed of) from the PAD, and no entry was made in the general ledger.
- Wrong costs were used, or sales were not properly charged to parts inventory.
- Incorrect parts count recorded.
- Prior inventory reported inaccurately.
- Employee or outside theft has occurred.
- Bargain parts purchase (i.e. volume discounts) was not properly accounted for.

To assist in the monthly reconciliation process, the accounting office should enter all documents through the day of the physical inventory. A



Tax Tip



E-FILING TAX RETURNS HAS ITS BENEFITS

The federal government envisions that within four or five years all tax returns submitted to the IRS will be done via electronic media. The IRS is currently encouraging all individuals and certain businesses to file electronically. You can file, sign and even pay electronically this year.

There are a number of benefits that result from filing electronically. IRS e-filing offers an accurate, safe and fast alternative to filing on paper. Tax returns are processed faster with tax refunds issued sooner than if filed on paper. IRS computers quickly and automatically check for errors. Some of the negative personal aspects of dealing with the IRS are eliminated. E-filing reduces storage space and costs and allows for immediate proof that the IRS has received your return.

Returns currently available for e-file submission are the Individual Tax Return (Form 1040), Trust Tax Return (Form 1041), Partnership Tax Return (Form 1065), Payroll Tax Returns (Forms 940 and 941). Partnership tax returns referred to above include filings for Limited Liability Companies being reported as partnerships.

For more information regarding the Federal e-file system, visit the IRS website at www.irs.gov/efile. Most states also provide for and encourage e-filing. Check your state's official website to see if and how you are able to e-file your state tax return.

general ledger showing the value of the parts inventory balance must be printed. A monthly—weekly, in some manufacturer cases—parts statement reconciliation should be performed. Large parts supplier statements, other than the manufacturers, have to be reviewed to ensure that all large purchases and credits are properly reflected on the general ledger.

The parts department can assist in the reconciliation process by providing the cost of parts sales on all open sales invoices not located in the accounting department. Parts managers should submit all parts purchase

invoices that have been included in the parts PAD to the accounting office. The parts department is also responsible for making sure that the accounting office is aware of all parts return credits, as this will affect the numbers as well.

The monthly parts inventory is an important internal control that can alert you to misconduct, in addition to operational issues. Tight inventory controls can help you run your dealership more efficiently. If you need assistance in performing a monthly parts inventory reconciliation, contact your local ATA firm.