



Take This Dealership Internal Control Quiz

A quiz by Ed Reinhard, CPA

From making sure the invoice description matches what's on the vehicle itself to securing keys for all vehicles, good dealership internal control is more than safeguarding your cash.

Sometimes, dealers watch the pennies but let more significant amounts go out the back door.

Take the following quiz to see if you are looking at the big picture.

How many questions can you answer “yes” to?

1. Is there a policy for authorizing new vehicle orders?
2. Upon receipt of a new vehicle, is the equipment on each new vehicle compared with the invoice description?
3. Are the keys for new and used vehicles secured at all times?
4. Does someone review off-hours computer access (for example, midnight to 6 a.m., weekends, and holidays)?
5. Are computer passwords required to be changed periodically?
6. Are electronic funds transfers made by the same individuals authorized on cash disbursement accounts?
7. Is the parts-management report reconciled to the general ledger each month?
8. Is a receivable set up to account for a parts return at the time of the return?
9. Is computer access regularly reviewed for current employee status?
10. Are repair order discounts reviewed on a regular basis for proper documentation such as coupons?
11. Is a list of used vehicles that don't have titles prepared each day?
12. Is the mileage filled in on the title of all used vehicles?
13. Does management review and document cash account reconciliations in a timely manner?
14. Is a formal whistleblower communication process in place?
15. Is a daily report generated of adjustments made on repair orders by the cashier?
16. Does management approve and document all receivable write-offs?
17. Are service-customer keys secured at all times?
18. Are driver's license record checks run for all new employees?
19. Have employees received yearly training to prevent sexual harassment?
20. Is there a list of approved vendors?
21. Are purchase orders written for every purchase, including advertising?
22. Are originals of voided cash receipt forms maintained?
23. Are employees required to take mandatory uninterrupted vacations each year?
24. Are general journal entry vouchers completely filled out including descriptions, preparer's initials, and approval initials?
25. Are dual signatures required for all checks?

Learn More

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Score:

Give yourself one point for every “yes” answer.

25 points

Are you sure you added correctly?

20-24 points

Great job, you probably sleep well at night.

15-19 points

Good, but a little fine-tuning could plug some holes.

14 points or fewer

You might need a dead bolt on your back door.