Tempting Times Can Tempt the Best

by : Gil Van Over

Temptations abound.

Should I continue with my heart healthy diet and order the salad for dinner or go ahead and splurge just once (again) for a Reuben sandwich with fries?

Should I get another half hour of sleep before heading out to a dealership or get up and spend 30 minutes on the treadmill?

Should I write my article on the plane or expand my mind with the diabolical Sudoku puzzle?

Temptations play with our minds and our decision-making process. Temptations will sometimes lead us to do something we know isn't right, but succumb anyway.

Examples

Here are some examples of temptations leading employees or consumers astray.

An office employee at a west coast dealership was arrested and charged with felony embezzlement. According to published reports, she was in some personal distress due to health issues and her husband's failed trucking business.

The United States Treasury Department is warning dealers that people are using fraudulent financial documents intended to resemble Treasury related instruments to purchase vehicles. These are identified as "personal promissory notes" or "private offset bonds."

There have also been numerous stories over the last few months about sales or F&I employees stepping over the bank fraud line. The Feds are proclaiming that they are stepping up efforts to ferret out bank fraud.

As tempting times can tempt the best, dealerships should realize that even the most trusted employee, or the most unassuming consumer, could find themselves in desperate financial troubles. Here are some tips to help prevent this from happening at your dealership.

Employee theft

The office employee who allegedly embezzled the money had the responsibility to open the mail, receive the bank statement, reconcile the bank statement and make the daily bank deposit. She was able to write personal checks to the dealership, take the cash and cover up the bounced checks when the bank statements showed up.

This dealership might have avoided the embezzlement if it had separated these various duties. The person who opens the mail cannot also be responsible for reconciling the bank statement. The person who makes the daily deposit cannot also reconcile the bank statement.

Many internal thefts are uncovered by other employees who see something that just doesn't make sense and brings the suspicious transaction to a manager's attention. Use employees to audit and review others' work.

For example, have someone other than the department manager periodically conduct a physical inventory audit. Someone other than the accounts payable clerk should occasionally review all the checks written over a two-week period of time. Someone other than the rebate clerk should from time to time reconcile the rebates applied for and rebates credited.

Having independent audits conducted by other employees in the dealership can uncover theft and act as a deterrent. Just alternate the areas that employees review to minimize the likelihood of collusion.

Consumer fraud

Many of the stories I read about con artists scamming dealers involves a certain level of either greed or stupidity or both.

One story involved a young couple presenting out of state personal checks to purchase two luxury vehicles. The couple agreed to prices in excess of MSRP. The apparently greedy sales manager approved the Saturday delivery. By Monday, the checks were no good and the couple (and luxury cars) were long gone.

This story includes both greed (prices in excess of MSRP) and stupidity (young couple, out of state personal checks, weekend delivery). The sales manager overlooked the obvious red flags.

There are usually some red flags or warning signs in a consumer fraud transaction. Identify them and train your staff on how to identify them and make the appropriate delivery decision.

Bank fraud

Unfortunately, when times get a little rough, employees may be tempted to resort to old-school fraudulent practices to sell or finance a vehicle.

The temptation is to give someone a raise on a credit application, or arrange for a straw purchase, or to increase the vehicle's value to the lender through non-existent options or falsify the amount of the down payment.

The rationale is apparently a combination of "everyone is doing it" and "I won't get caught."

Since bank fraud with a federally insured institution is a federal crime, this flawed rationale could end up in jail time for the offender.

First, not everyone is doing it. Most dealers have reputable employees who don't commit bank fraud. Second, the likelihood of getting caught is increasing every day as the Feds continue to focus on the credit crisis and understand that bank fraud constitutes a part of the problem.

To protect yourself and to minimize the likelihood of bank fraud within your four corners, institute this four-part program:

• Unequivocally declare to all employees that bank fraud is not condoned and offenders will be terminated.

• Establish a credit application submission policy that requires the consumer to complete a handwritten credit application and that information is accurately submitted to the lenders.

• Periodically audit the handwritten credit applications to the application submitted via DealerTrack, Route One and others.

• Terminate any offenders.

The same process applies to minimizing potentially deceptive practices such as payment packing, stuffing products, trading rate for product or discriminatory pricing.

Anything less may be viewed by your employees as permission to commit bank fraud in your name.

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