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Sometimes we are our own worst enemy III

by Gil Van Over

There has been a spate of news stories lately about instances of dealership employees finding creative ways to line their pockets with ill-gotten monies. Here is the latest one.

This former salesperson has been indicted with charges of wire fraud. He allegedly submitted worthless customers' checks to check approval companies used to pay for the vehicle on which he received a salesperson commission. Some of the checks were from closed accounts

The indictment states that he sold cars to customers who did not have the financial ability to pay. The check companies guaranteed payment for any checks each approved.

The worthless checks included checks from closed accounts, newly opened accounts with insufficient funds, resubmitting checks previously not approved submitting checks at certain times during the day and changing the written amounts on the checks.

These activities took place over a two month period and the total of the checks was over three quarters of a million dollars.

The two check guarantee companies and the dealership estimate their losses at over a quarter of a million dollars.

If convicted, the salesperson faces a maximum penalty of 20 years in the hootchgow, up to \$250,000 in fines and restitution.

Now, my question is, where were the controls? If I ran a dealership that uses a check guarantee company and read this story, I would immediately put the following processes in place:

- The only personnel permitted to obtain a check guarantee are the Sales Managers, the F&I Managers and/or the Office Manager
- Have a clear written understanding with the check guarantee companies limiting access to these approved persons
- Instruct the cashier and billing clerk on the process and enlist them as your watchdog
- Obtain a monthly report from the check guarantee company and audit a sampling of the transactions, specifically higher amounts and a high percentage attributable to one salesperson

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