



Finance & Insurance

Gil Van Over

Implement a Compliance Program

A few months back I posed the question, “Can you pass a compliance audit?”

The response was heartening. Most of you believe you have the appropriate processes in place, some of you submitted relevant questions, a few of you requested we help you further.

The article did not address the high level view of what a compliance program looks like, one that we endorse and install.

This compliance program is structured along the lines of the one the Federales require in some of the laws regulating our industry, namely the Safeguards Rule and the Red Flags Rule.

Overview of the rules

Both of these rules, designed to help stem the tide of identity theft, require car dealers to have a documented compliance program that consists of five critical elements:

1. Name a compliance officer
2. Conduct a risk assessment
3. Develop policies and procedures
4. Train employees on the policies and procedures
5. Audit regularly

You can implement this compliance program for any department in your dealership that has to abide by regulations in any area.

One at a time

Let’s look at each of the required components and how you can translate it into action.

Name a compliance officer

Very simply, someone is in charge of your compliance efforts. This person must have some juice in your organization, so that the rest of your employees will take this effort seriously. This person, however, does not need to handle every aspect of compliance, rather should be encouraged to delegate most of the compliance tasks and follow-up.

Conduct a risk assessment

After selecting a regulation to become compliant with, say the FACT Act for example, you need to figure out how well your processes stack up against your requirements. This means first you need to know what you are required to do, then conduct an assessment to see if you are doing it correctly.

Develop policies and procedures

Now that you know what you need to do, and have corrected the reality of what you were doing, you must reduce your new processes to writing in the form of a policy and procedure manual.

Train your employees

No good book goes unread! Be proud of your new policy and procedure manual. Make it required reading for all affected employees, giving them a reasonable amount of time

to review the material. Shortly afterward, conduct a training session to review the material again. You will also want to incorporate the policy and procedure manual in your new hire orientation material. Finally, obtain an acknowledgement statement from the employee affirming that the employee read, understands and agrees to abide by the policy manual.

Audit regularly

“Trust, but verify,” Mr. Reagan said about the Russians and their nuclear disarmament intentions. You must take the same approach. Trust that your employees will conduct business and transactions in accordance with your policies. However, you must also periodically check to make sure they are. Consider a three-pronged approach:

- Develop a checklist for the billing clerk to use on every transaction to ensure the required pieces of paper are there.
- Require a 10% review of deals on a monthly basis by your office manager, controller, general sales manager and/or F&I director.
- Engage a third-party to periodically conduct independent reviews of your transactions to see how they will stand up to regulatory oversight or judicial scrutiny.

It is not necessarily easy to implement this compliance program in your dealership, but it does develop a process mentality. And with sales seeming to pick up, the busier you get, the better your processes have to be.

Continued good luck and good selling. 🗝️

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“PENSKE AUTOMOTIVE GROUP, the second largest dealership group in the United States, NEARLY DOUBLED ITS QUARTERLY PROFIT...”
(Automotive News 2011)

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