



### OVERVIEW & SCOPE

The first step to reducing the dealership reporting, operational and compliance risks is to identify the risks specific to the dealership. A DHG Dealerships Risk Assessment can help dealerships identify how and where to deploy their available resources most effectively in addition to implementing new processes and procedures. Our goal is to protect our clients' dealerships, employees and customers. Risk Assessments typically serve as a precursor to a focused Transaction Testing Services engagement, in which our experienced professionals quantify risk based on detailed testing in the areas of greatest need.

The following describes the process for the Risk Assessment services:



#### 1. Discuss

Initial discussion with key management personnel regarding perceived risks facing the dealership.



#### 2. Inquire

Inquiry with department managers and dealership staff about current job duties and observation of daily activities to determine potential unaddressed risks.



#### 3. Define Scope

Determine scope with management based on inquiries.



#### 4. Onsite visit

Onsite visit for two - three days.



#### 5. Closure

Closing meeting held onsite with management to discuss findings and provide recommendations for improvement.

**PROCEDURES**

Some selected Risk Assessment procedures are as follows and can be tailored to the dealership's specific needs:



- + Observation of cashiering function and daily deposit preparation
- + Observation of cash disbursement process (including lien payoffs)
- + Month-end closing process (reconciliations, open RO, parts tickets, etc.)
- + Discussion with accounting office personnel regarding job rotation and segregation of duties
- + Test of deal file contents or checklists (F&I compliance, factory incentives)
- + Test of access controls to DMS, general journal entry process
- + Analyze Red Flags program
- + Observation of special order parts process
- + Evaluation of eBay and electronic sales processes
- + Assessment of parts physical and cycle count processes
- + Internet safeguards
- + Document retention policies (canceled checks, dead deals, repair orders, etc.)
- + Parts manual adjustments access
- + Protocol for regulatory filings (sales and use tax, monetary transactions, waste disposal)
- + After hours transaction processing (down payments, rental returns, early bird drop-offs and pick-ups)
- + Payroll process (minimum wage compliance, I-9 compliance, commission calculations, time cards, etc.)
- + Analyze information security program