



"A CPA firm that understands dealership management, accounting, and tax issues"

Controls for Safeguarding Dealership Cash

In spite of a recent slowdown in sales, dealerships are experiencing strong profits in 2002. Dealers must ensure that internal controls are in place to safeguard dealership cash. When a dealership is profitable, it is easier for theft to go undetected. The following are some controls that will assist you in safeguarding your cash.

- The Dealer should receive unopened bank statements directly. He should observe the contents for checks, especially checks to individuals, noting proper or no signature, and the payee name. Wire transfers out of the account should be verified.
- When possible, bank reconciliations should be performed by someone outside of the dealership.
- Unused checks should be stored in a secure, controlled location.
- A person independent of the accounting office should make a listing of all incoming mail receipts and should immediately endorse the checks with a stamp *for deposit only* to the dealership's account number.
- EFT's should follow the same controls and procedures as actual cash. Transactions should be recorded utilizing cash receipts and cash disbursements journal rather than the general journal.
- The accounts payable vendor file should be reviewed periodically by the Dealer.
- The Dealer should always sign checks last and should review the supporting documents for each check.
- Require purchase orders to be written for all expenditures.
- The Dealer should be familiar with all wholesalers. We recommend that wholesale transactions be scheduled and reviewed by the Dealer.

Downey & Company, LLP, is a CPA firm with extensive auto dealership experience in accounting, taxes, and management. For more information, please email Paul McGovern at pmcgovern@downeycocpa.com or call **781.849.3100**.

Visit our web site at www.downeycocpa.com.