

Crowe Client Assessed Risk Diagnostic (Crowe CARD)

Internal Controls Analysis for Ongoing Improvement.

Poorly designed and untested internal controls can cost your dealership thousands of dollars. Given the current economic environment, safeguarding your assets is even more important. With the constant pressure to control expenses, dealers search for solutions to effectively manage their risks related to internal controls.

Maintaining strong internal controls is an important factor in avoiding risk-related losses such as misappropriation of assets. Perceptive owners, chief financial officers, and controllers periodically examine current controls to identify deficiencies and areas for improvement, or to adapt to changes in operations.

An effective assessment process should efficiently monitor risks related to internal controls by asking the right questions so dealership management can increase the strength of their internal controls and reduce the risk of losses.

Questioning your risk exposure.

In tough economic times, the motivation for fraud increases and takes many forms, from manipulating the system to outright stealing. Reductions in staff can result in compromised segregation of duties, creating an environment for deception. Ask yourself these questions:

- Is our bank reconciliation performed regularly and are adjustments posted promptly?



- Does the part pad agree with the general ledger?
- Who signs the checks?
- Is the warranty schedule reviewed for aged items?
- Does an independent party handle vehicle inventory?
- Are purchases made from an approved vendor list?
- Who posts and approves journal entries?
- Does one employee have responsibility for all key disbursements?

Crowe Horwath LLP developed Crowe CARD a client self-assessment solution that assesses your internal controls in nine key accounting areas – such as cash disbursements, general journal entries, and month-end procedures – and provides a risk assessment indicator that notes potential for weaknesses in your internal controls. Crowe CARD walks users through a specific series of questions related to dealership operations, internal control procedures, and the segregation of

duties. The resulting data is processed through a dynamic review platform that utilizes Crowe's extensive experience with dealerships' internal controls. The Crowe CARD report categorizes the client's self-assessment and provides an indicator by functional area of potential areas of concern.

Crowe CARD utilizes a risk-based approach that facilitates a more targeted emphasis on the internal controls area by focusing on ways to ensure existing controls are both efficient and effective. The analysis and testing may also serve as a foundation for your external auditor requirements.

Crowe CARD drills down into your operations to look more closely at such functions as payment processing, bank statement reconciliations, electronic fund transfers, vendor authorizations, and other areas of potential vulnerability.



Follow a road map for effective controls.

After your Crowe CARD analysis is completed, Crowe can work with your dealership management to review the results and develop a plan for mitigating concerns in nine key accounting and operational areas:

1. Body shop
2. Cash disbursements
3. Cash receipts
4. General journal entries
5. Month-end procedures
6. Parts and inventory sales
7. Payroll
8. Service sales
9. Vehicle inventory and sales

You can rely on our many decades of experience working with hundreds of dealerships to help you:

- Analyze Crowe CARD results and provide insight into suggestions for mitigating risk;

- Inspect and test your procedures to corroborate the responses provided to the dynamic questioning; and
- Develop your remediation and monitoring plan to address identified concerns.

Start improving your top and bottom lines.

As a dealer, you have your hands full with market issues, employee retention and attraction, and dealing with the manufacturers' ever-changing situations. Crowe is your resource to address the issues that create roadblocks to improving profitability and cash flow and stall opportunities for more growth.

About Crowe Retail Dealers

Our nationally recognized team of thought leaders helps our clients be more successful through services and solutions tailored to meet the needs of retail dealers. They are frequent speakers at industry events and published authors in trade magazines, periodicals, and business journals.

About Crowe Horwath LLP

Crowe Horwath LLP is one of the largest public accounting and consulting firms in the United States. Under its core purpose of "Building Value with Values[®]," Crowe assists public and private company clients in reaching their goals through audit, tax, advisory, risk, and performance services. With 26 offices and 2,400 personnel, Crowe is recognized by many organizations as one of the country's best places to work. Crowe serves clients worldwide as an independent member of Crowe Horwath International, one of the largest networks in the world, consisting of more than 140 independent accounting and management consulting firms with offices in more than 400 cities around the world.

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