

# COMMON SENSE COMPLIANCE



## MAKING COMPLIANCE EASY

### Seven Easy Compliance Steps to Implement Today

You've probably heard a lot of rhetoric from lawyers on the importance of compliance and implementing compliance procedures. **But do you feel left in the dark about what those procedures should be?**

Compliance doesn't have to be like pulling teeth.

Here are **a few simple steps that you can begin implementing today** to get your dealership on the path to compliance and keep it there.

1. Organize your deal documentation.
2. Put your procedures in writing.
3. Provide compliance-specific training and foster an environment where that training is utilized.
4. Set the example by being the model for your team members to take compliance seriously.
5. Create the role of compliance officer, whose sole duty is to audit, train and maintain compliance within your dealership, reporting directly to the board.
6. Establish a complaint management system.
7. Take 5 minutes a day to walk through your dealership.

While the road to compliance is long, it is possible to gain significant headway in a short period of time by applying these simple steps. Just like establishing a good habit, use these steps to form a cohesive compliance platform from which you can build lasting and effective operations.

#### Legal Disclaimer

The contents of this booklet are intended to convey general information only, and not to provide legal advice or opinions. The contents should not be construed as, and should not be relied upon for, legal advice in any particular circumstance or fact situation. The information presented may not reflect the most current legal developments. An attorney should be contacted for advice on specific legal issues.

# THE THREE PRINCIPLES OF COMPLIANCE

Look for these icons on the following pages as an easy reference to how they apply to each topic.



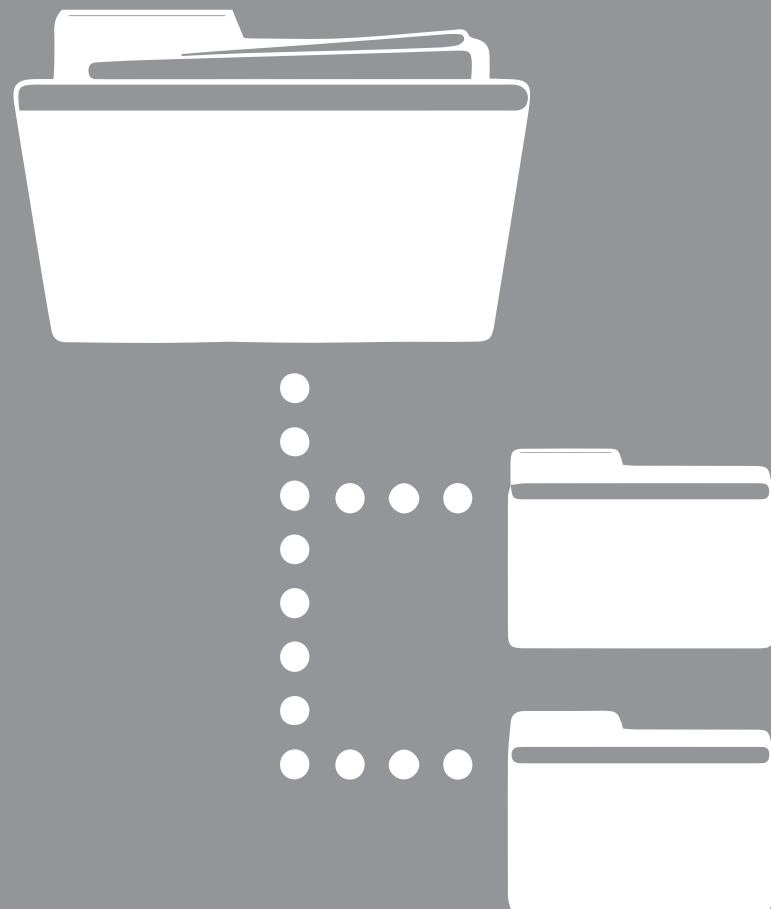
Documentation



Organization



Dedication



## Think Unorganized or Missing Deal Documentation will Hide Compliance Issues?

### Think Again.

The more unorganized and chaotic your paperwork, the tougher an auditor will be on your dealership due to the sheer time and energy wasted on organizing the files.

Organizing all your deal documentation doesn't need to take time away from closing more deals. In fact, it only takes F&I managers 2-3 minutes to organize deals as they close them. Whereas, it takes an office worker at least 10 minutes to accomplish the same task.

Think about your typical F&I transactions:

- Trade-in
- Finance with/without a down payment
- Payment in full
- Lease

Based on these transactions, create a **smart and usable checklist** for your team to use in every transaction.

**Note:** This checklist is not a 10,000-item list. The point is to make the F&I manager's life easier, not more difficult.

This checklist will be used to ensure all processes are followed and the documentation is organized, making the act of organization quick and efficient.

Relevant Principles  
of Compliance:



# If Your Procedures Aren't in Writing, They Don't Exist



## Written Procedures Don't Have to be Novels.

### 1 Written Processes

These documents provide clear direction on who does what when. You already have a process in place that probably works most of the time. You don't have to completely reinvent the wheel. Simply take what's already working and document it.

### 2 Written Consequences

It's equally important to have written, defined consequences for failing to comply with dealership policies. This may seem harsh, but which is better:

- A. writing up an employee for failing to collect all necessary signatures, motivating them to pay more attention to that aspect of F&I and submit future paperwork correctly, **or**
- B. experiencing an audit that calls attention to a serious lack of signatures dating back months, resulting in legal action against the dealership and possibly firing that employee?

Remember, consequences don't have to be all or nothing. Create stair-step discipline based on the severity of the procedure.

### 3 Written Acknowledgement

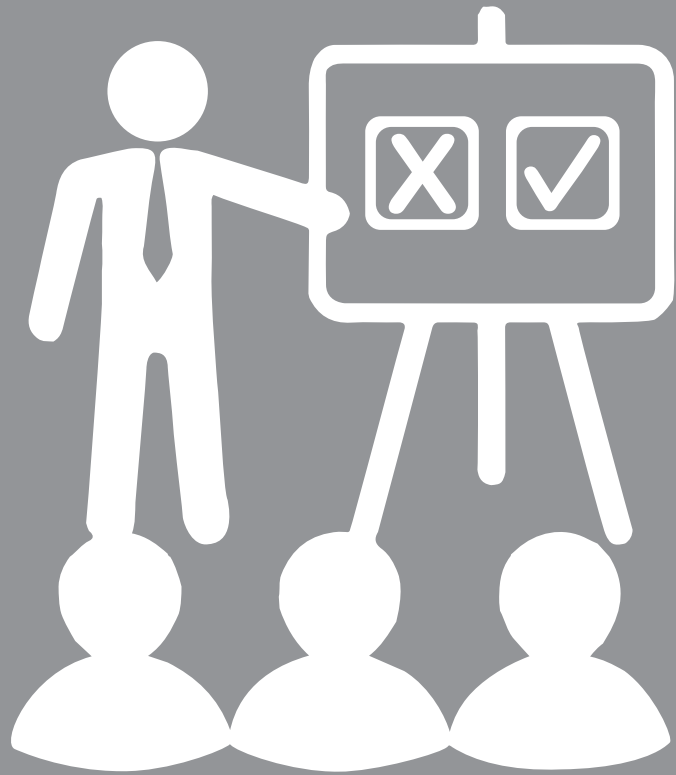
Lastly, get your employees' signatures acknowledging their understanding of their individual roles within the dealership, and behaviors and consequences associated with them.

*See a sample policy for employee signature in the back of this book.*

Relevant Principle  
of Compliance:



# Training: Use it or Lose it



## Training Does Not Exist In a Bubble

When you equip people to succeed, you also protect yourself in the process. Provide a training plan starting with specific training events scheduled at least **3 to 4 times per year**, and document who attended and the topic of the training. Remember, in every type of training, from sales to complaint handling, there are always compliance issues inherent in each. Ensure the curriculum for each training course addresses those considerations.

**Training events can only do so much.** Perhaps the most important part of your training plan is dealership implementation. Don't waste money investing in training if you instruct your team members to disregard it. Rather, implement a system to **empower your team to utilize their training**, and document their performance based on the implementation plan. Ask your people two weeks after each training session what they are doing differently now.

**Lastly, compliance training isn't just for your team.** Are you as knowledgeable as you expect your people to be? If not, how are you taking advantage of the same training opportunities you provide your team?

Relevant Principles  
of Compliance:





## Paperwork and Policies do Not Equal Behavior. So, What Does?

**Hiring and firing practices** set the general tone of how a dealership is expected to operate. Performance appraisals and recognitions back up the tone and give it an air of legitimacy. However, the single most important thing is to **practice what you preach**.

**You can't teach ethics to adults, but you can be the model for how your employees are expected to act.** For example, if you make penetration numbers your highest priority, giving higher rewards and appraisals to those with the biggest penetration rate, you will **foster competition** based on penetration rate. And, your employees would probably do anything to increase it. On the other hand, if you **take a compliance procedure**, like correctly filed paperwork, and **make that a priority**, so will your team.

**In your hiring process**, you can also **source people who have a higher moral code**, making it more likely they will follow your model. And, when it comes to discipline and firing, if you don't **follow through on your consequences**, your policies will be meaningless and your authority depleted.

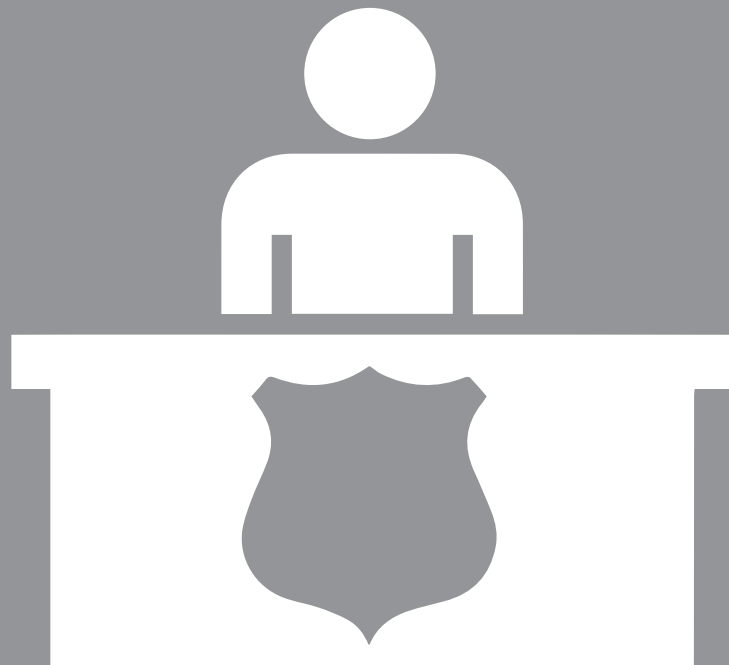
**In essence, be the model.** Follow your own policies, expect your team to follow suit, and stick to your consequences. A good way to put this process in motion is to provide a personal statement on your commitment to compliance.

*See a sample compliance statement in the back of this book.*

Relevant Principles  
of Compliance:



# Yes, Officer



## The Importance of a Dedicated Compliance Officer

A compliance officer is responsible for:

- regular compliance training,
- new employee education, and
- F&I auditing.

**He or she should be reviewing your deals daily**, checking for things like signed menu disclosures and consistent rate markup. Simply having a knowledgeable and trained compliance officer can go a long way toward demonstrating compliance.

While a compliance officer should have in-depth knowledge of the F&I process, they should not be an F&I manager or associated with the sales process and should report to the board.

Ideally, this should be a separate role within your dealership focused purely on operational compliance.

Relevant Principle  
of Compliance:





## What Do Your Reviews Tell the Regulators? **Everything!**

**Customer complaints can point to a breakdown in your procedures.** So, it's vital to the health of your dealership that you have a complaint management system in place to monitor and address complaints both online and offline. While there's no need to provide free services or discounts to every unhappy customer, it is important for your managers to **review each complaint and address the issue.** If you are getting several complaints about a specific point in the sales or service cycle, then discuss with your managers where the breakdown is occurring and what needs to change.

**By demonstrating your willingness to listen and address customer concerns,** you have the opportunity to enhance your brand experience and generate greater customer loyalty, in addition to providing transparency to your compliance initiatives.

Relevant Principle  
of Compliance:





# A 5-Minute Walk is all it Takes!



## Spot Issues Ahead of Time With a Daily 5-Minute Walk Around Your Dealership

Walk through your sales, service and F&I departments, looking at your dealership through the eyes of a customer.

- Is confidential paperwork out for anyone to see?
- Are computer screens locked?
- Are appropriate doors locked?
- What topics are being discussed by your sales staff in an open environment, where anyone can hear them?
- Look at the expressions on your customers' faces. Are they bored, mad, confused, or engaged?

Taking just 5 minutes a day to roam the dealership shows your team that you are engaged in ensuring compliance. It gives you an eagle-eye view of your dealership as a whole. **And, it demonstrates your interest in your team's success.**

Relevant Principle  
of Compliance:



# ADDITIONAL RESOURCES

## Sample Candidate Questionnaire

These questions will help give you an idea of a person's character. While some might not seem "ethics" specific, the answers that point you in the direction of a person's ethical nature.

1. Tell me of a time when a boss or another co-worker asked you to do something unethical. How did you handle it?
2. Tell me about a situation that you wish you would have handled differently based on the outcome.
3. Describe a time when you saw a problem and took the initiative to correct it, rather than waiting for someone else to do it.
4. Tell me about a time when you worked under extremely close or loose supervision. How did you handle that?
5. What is your typical way of dealing with conflict? Give me an example.
6. Describe a situation where you needed to work with a customer or co-worker who disagreed with you on a fundamental level.
7. Describe a time when your boss gave you credit for a project on which a colleague did most of the work, or conversely when your colleague received credit for your work. How did you handle the situation?

# Sample Compliance Statement

I acknowledge that I have completed the required compliance training program. I agree to comply with the compliance policies and procedures outlined by [Dealership Name], and any future amendments or additions.

I understand that I must report any incidents of non-compliance with any dealership policies to my general manager or my human resources representative. I will also review any company policies and procedures applicable to my role at the dealership.

Employee Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

# Sample Policy for Employee Signature

## Dealership Standards of Conduct

During the course of carrying out your job responsibilities with customers, fellow employees, lenders and vendors, you are expected to comply with the following standards:

1. **Vehicle Sales:** You shall advertise, promote and sell our vehicles, products and services in a truthful, fair and non-discriminatory manner.
2. **Customer Information:** All personal and non-public information obtained from a customer shall be treated in accordance with the dealership's Privacy Notice and Safeguarding of Information Policy. You shall take all reasonable steps to protect and secure a customer's non-public and personal information.
3. **Credit Applications:** All credit applications must be filled out by the customer or F&I personnel, and must be based entirely on information provided by the customer. The credit application must be filled out completely and submitted by F&I personnel only. Only the customer shall sign credit applications. Any changes or alterations to income, time on the job, or time in residence must be initialed by the customer. ALL credit applications pulled for customers that do not result in a delivered unit must be scanned into Docuware for retention purposes along with any associated information, including but not limited to the credit bureau and privacy policy.
4. **Desking Deals:** All deals shall be desked in a fair and accurate manner. Payment packing in ANY form is strictly prohibited.
5. **F&I Menus:** A menu shall be used in every deal to present all optional F&I products and services to the customer. Each F&I product and service shall be individually disclosed. The customer shall sign a menu acknowledging the optional products and services presented to the customer.
6. **F&I Product Forms:** For each F&I product or service purchased, the customer shall be provided with a product registration or enrollment form, or product contract that describes the features, benefits, limitations, price and terms of the product or service. You and the customer shall sign and date the form for each optional F&I product or service they have purchased. Handwritten premiums and alterations changing plan level/term, premium, etc. must be initialed by the customer.
7. **RISC & Lease Contracts:** All Retail Installment Sales Contracts and Lease Contracts shall accurately represent the terms of the transaction and disclose product payees. These contracts must be signed by the customer and an authorized dealer representative.
8. **Customer's Signature:** On all sales and F&I documents which require a customer's signature, ONLY the customer shall sign on the "Customer Signature" line. There shall NEVER be written in "Signature on File" or a similar designation on a customer signature line. You shall NEVER forge a signature or allow others to do so.
9. **Customer Copies of Documents:** The customer shall always be given the "Customer Copy" of all contracts, leases, buyers orders, product registration forms, tag and title work documents signed by the customer and the dealership representative.
10. **Fraudulent Acts:** You shall not do anything to engage in, participate in, further, or assist in a fraudulent or unfair and deceptive act against a customer, lender, vendor, the dealership or any other party.
11. **Cash Receipts:** There must be a cash receipt in every deal file that reflects the exact amount of cash or check which has been received from the customer, if cash is received from the customer. All cash must be remitted to the designated person or place and deposited immediately. Do not hold their cash – it is your responsibility.

## Personal Conduct and Behavior

We expect employees to abide by all DEALER NAME rules and treat their fellow employees with courtesy and respect. If it becomes necessary to discipline an employee, DEALERSHIP NAME uses a progressive discipline policy. One incidence of non-compliance will result in a verbal reprimand. Two incidents will result in a written reprimand. Three incidents will result in termination. DEALERSHIP NAME reserves the right to take any disciplinary action, up to and including termination, which we deem appropriate under the circumstances of a given situation. The following list of offenses and actions may result in discipline, up to and including discharge. This list is not exclusive, but is intended merely to illustrate the types of conduct for which discipline may be imposed. There may be other conduct which, in DEALERSHIP NAME's discretion, merits discipline up to and including termination.

1. Any violation of DEALERSHIP NAME's Anti-Harassment Policy.
2. Any violation of DEALERSHIP NAME's policies or workplace conduct rules.
3. The falsification or misrepresentation of any DEALERSHIP NAME document.
4. Unauthorized possession or theft of DEALERSHIP NAME property, a customer's or a fellow employee's property.
5. Any violation of the Confidentiality of Company Information Policy, including but not limited to, revealing customer and/or consumer information of a confidential nature.
6. Failure to work in a cooperative manner with management, supervisors, coworkers, customers, or vendors.
7. Threatening, intimidating, or assaulting a supervisor, a member of management, coworker, customer or vendor.

I understand that I must report any incidents of non-compliance with any of these standards to my general manager or my human resources representative. I will also review any company policy(s), procedure(s), and pricing guidelines applicable to my role at the dealership.

Employee Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_ Title: \_\_\_\_\_

# COMPLIANCE, SIMPLIFIED.

