



Viewpoint

Motor dealer services

Would losing \$200K a year affect your dealership's cashflow?

Fraud in dealerships

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Would losing \$200,000 a year affect your dealership's cashflow?

While for many dealerships this would have a severe impact, in some instances such a loss can go unnoticed for many years. So, how can your dealership minimise the risk of fraud occurring?

New perspectives

Fraud covers a range of offences from the misappropriation of assets including cash, inventory or intellectual property to bribery, kick backs and the alteration of computer records. In most cases, strong controls are the front line deterrent for fraud.

A simple example (that is experienced by smaller dealerships) is the situation where the same employee both receipts and banks any cash received. It is much easier for one person to hide "missing" cash than if the roles were segregated between two employees.

Dealership owners often cannot believe an employee has committed fraud against them. In many cases, the person who has committed the fraud is a long-standing and trusted employee that is treated as "part of the family". It is often this "family atmosphere" that can allow a fraud being committed by an employee to go unnoticed.

The controls that a dealership implements need to be effective, efficient and reflective of the organisation size and structure. In situations where



Fraud control does not need to be costly but done correctly it could save you both time and money in years to come.

there are too few employees to implement a full segregation of duties, other controls that can be implemented include:

- dual signatories;
- monthly reconciliations reviews;
- limiting of payment authorisation;
- maintaining a banking deposits register; and
- computer password security.

Premises security (especially in relation to spare parts) is also important. Individual PIN codes for security systems are an effective way of allowing dealerships to monitor entry of areas by employees (especially on weekends and after hours).

Another area that is often overlooked by many businesses is their insurance policy. Does your current insurance policy cover employee fraud and the ensuing cost of any investigation? Does the policy limit the payout on claims made? Dealerships should also ensure they are aware of the policy requirements for reporting any fraud as well as any policy exclusions.

The way forward

Fraud control does not need to be a costly and if implemented correctly, could save a dealership both time and money in years to come.

About the author

Andrew Howard is a Manager in the Forensic accounting division of BDO Kendalls and has over seven years experience in the commerce and business advisory services sectors. Andrew began his accounting career in commerce working for a number of years for a major Australian transport company. He then joined BDO Kendalls where he spent four years in the Business Services Division, before moving to Forensic accounting.

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