



CATA Bulletin

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DOC fee \$52.57 for 2003

The state's maximum documentary service fee for 2003 is \$52.57, the Illinois attorney general's office announced Dec. 17. The \$1.13 increase over the 2002 fee reflects a 2.2 percent rise in the federal Consumer Price Index for the 12-month period ending Nov. 30. The index is tracked by the U.S. Department of Labor.

The CATA developed a poster regarding the DOC fee that dealer members can post. One example of the poster is included for dealers with this newsletter.

Limited additional copies are available upon request.

The new maximum fee may not be charged before Jan. 1.

New laws help usher in 2003

A brave, new world, hardly, but the strike of midnight on Jan. 1 will mark the dawn of several laws that will affect Illinois dealers.

The changes range from whose insurance is primary on loaner vehicles to vehicle damage disclosure to air bag installation. All three matters were signed into law last August, but they take effect on New Year's Day.

Insurance on Test Drives

The driver's insurer will be primarily responsible in accidents with a dealership loaner vehicle. The dealer's insurer becomes secondary on loaners but remains primary on test drives.

However, a dealer's insurance still is primary on loaners if a customer's insurance policy does not have a 100/300/50 liability minimum (\$100,000 for bodily injury or death of any person; \$300,000 for bodily injury or death of any two or more persons in one accident; and \$50,000 for property damage).

Dealers attempted for years to make the driver of a loaner first in the line of responsibility when an acci-

dent occurs. Illinois Gov. George Ryan vetoed a similar bill in 1999, but said he did so because that legislation considered the dealer's insurance fourth, not second.

Under the new law, a "loaner" vehicle is one which the customer has permission to drive while his vehicle is being repaired or evaluated. Conversely, "test driving" occurs when a customer drives a vehicle to evaluate the performance, reliability or condition of a vehicle when considering to buy or lease the vehicle. The permitted user's insurance is considered secondary during test drives.

Damage Disclosure

Add navigation systems to the list of damaged components in new vehicles that can be repaired or replaced without triggering damage disclosure requirements.

A dealer must disclose in writing to the purchaser, before delivery, any damage the dealer has actual knowledge of the vehicle incurring between completion of the manufacturing process and delivery to the purchaser, if

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They welcome questions, concerns and comments!

Internal controls, vigilance needed to combat employee theft

One worker cooks the books to embezzle hundreds of thousands of dollars. Another steals company assets, using the company postage machine to stamp his outgoing holiday greetings. A third passes the workday stealing time, by dreamily roaming the Internet's expanse. Employee theft can take many forms, forcing vigilance to fight it.

Statistics indicate that three of 10 employees are honest, another three are dishonest, and the other four also might be dishonest if conditions permit. The primary reason people steal: opportunity.

"What you need to do in your dealership is, remove that opportunity," said Ted Cesarz, a partner with Crowe Chizek & Co. who led a recent CATA seminar presentation, "Combating Employee Theft."

The motives to steal at work are various: excessive gambling, high personal debt, extramarital involvement and related blackmail, use of controlled substances, greed, revenge and even justification.

As with many problems, dealers can spare themselves risk by taking precautions during the hiring process. Pre-employment procedures should include

- credit and reference checks
- driving history checks
- honesty checks, using polygraphs and other means
- bonding application

"If you can't get a good reference from a dealer calling a dealer," said Cesarz, "have the accountant call the accountant."

Crowe Chizek surveyed 113 area dealers last summer, and 111 of them indicated they had been victimized by employee theft. And of the two dealers who said they had not, Cesarz said he was aware of theft at one of the stores.

Employee theft transcends departments and is committed even by those workers who never touch cash. Consider the technician who performs unauthorized work on his own car or a friend's car. A repair order should accompany every vehicle being serviced.

More than 20 percent of the surveyed dealers said one of their salespeople or managers had loaned a vehicle to a third party without approval; kept a customer's deposit rather than promptly receipting the money; and added or removed an accessory on a vehicle without an internal order. Fifteen dealers said their workers even stole vehicles.

Case: An F&I manager quotes the highest rate to customers and accepts their down payments. He then reworks the paperwork at a lower rate, but keeps the monthly payments at the same amount as the original amounts he quoted the customers. The

F&I manager then keeps the difference between the down

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30 minutes to better controls

Dealers can implement various means to uncover theft and discourage future acts of larceny. The following list proposes 13 surprise monthly control checks.

January Count petty cash and review vouchers.

February Personally hand out payroll checks to all employees.

March Review small balances in contracts in transit and vehicle receivables.

April Compare floor plan check to statement for three deals.

May Put \$10 extra in register and check balancing.

June Cycle count parts bins.

July Review receivables statements not mailed.

August Review computer security passwords.

September Review bank reconciliations for unusual items.

October Review the detail in the cash sales clearing count.

November Review several journal accounts and look at support.

December Review journal entries and question transactions.

13th month Review auditor adjustments to see the type of entries that are required to close the books.

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Listings of items for sale are subject to the approval of the CATA. Candidates for employment must submit a full résumé to the Editor.

Review past editions at <http://cata.drivechicago.com/>

Jerry H. Cizek III President, Publisher
Erik K. Higgins Editor, Director of Dealer Affairs

Developing performance standards to increase sales: NADA guide

The average closing ratio at a dealership hovers at 18 percent to 20 percent, meaning dealers sell to just one out of every five prospects. However, other findings show more than 90 percent of all prospects buy within one week. Why, then, aren't closing percentages higher?

An NADA survey uncovered the information in the box.

Item	No./%
Buyers who bought within three days of when they started looking	57%
Buyers who bought within seven days	90%
Buyers who did not receive follow-up after leaving without purchasing	90%
No. of buyers the average salesperson talks to each day at the showroom	2.7
Buyers who tell the salesperson they are shopping	72%
Buyers who actually took the time to shop at other dealerships	42%
Buyers who decided they were going to buy a vehicle before they left home	85%
Dealership's total vehicle sales made to customers new to the dealership	65%
People who buy on the first visit to a dealership	20%
Selling situations where the salesperson properly establishes rapport, and qualifies and controls the prospect	18%
Prospects who feel they did not get a good product presentation and demo ride	88%
No. of retail deliveries (new and used) the average salesperson makes each month	13
Time the average sales manager spends working directly with the sales force	18%
Customers who did not recall their salesperson's name 12 months after purchasing	82%
Owners who are contacted about purchasing another vehicle after delivery	10%

Sales performance

can be improved, but the basis is deeper than the number of units sold each month. How many of the questions posed by the NADA survey can be answered accurately by Dealership A's sales manager? How many by Dealership A's proprietor?

Without the information, a sales staff will continue to repeat the previous month's performance. With the information, profitable performance standards can be developed.

One way to get the information: Install a CRM system for tracking sales and follow-up. For the average dealer, proper control results in a sales increase of 40 percent. How many more sales per salesperson, per month, can occur when salespeople perform to their highest levels, under the following circumstances?

Salespeople contact all unsold prospects within 24

hours. Further follow-up, as appropriate, is conducted under daily management guidance.

Salespeople conduct effective, daily prospecting, guided and controlled by management.

Salespeople contact all owners regularly to secure additional sales and referrals, guided and controlled by management.

Management institutes a daily work plan that includes meeting one-on-one with salespeople to set daily goals for prospects seen, improvements (such as presentation), and demonstration.

Excerpted from an NADA management guide, "A Dealer Guide to Taking Charge of New-Vehicle Sales." Order the guide by calling 800-252-6232, ext. 2. Cost is \$25 for NADA members, \$50 for nonmembers, plus shipping.

Theft

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payments submitted and the amounts needed on the contracts submitted to the financial institution.

Case: Service Department staffing on Saturdays amounts to three technicians but just one parts employee. When the parts employee is busy, the technicians help themselves in the parts department.

Case: A license and title clerk inten-

tionally inflates out-of-state sales tax amounts to F&I personnel. To pay the tax, the clerk would prepare two checks, one to the state and one to the customer. However, the clerk keeps the customers' check and deposits the funds into her personal account, taking \$135,000 over two years.

Case: The office manager arrives early in the morning and works the cashier's desk. When customers pay with cash, the manager would pocket the cash, destroy the repair orders, and make journal entries to various ac-

counts to hide the thefts. The total loss over seven years exceeded \$1 million.

An operations review by external auditors uncovers employee theft just 5 percent of the time. In contrast, 28 percent of thefts are discovered by accident.

Cesarz said a dealer is five times more likely to detect theft using internal controls—for instance, have someone independent of all accounting functions open the mail each day and make a list all checks received—than to rely on auditors.

Pilot program to submit license, title data electronically imminent

The Illinois secretary of state will solicit bids in the next few weeks from private firms to coordinate a pilot program in which new-car dealers would be equipped with supplies of license plates and would submit titling and registration information to the state electronically.

Ed Michalowski, director of the secretary of state's vehicle services department, told CATA directors Dec. 19 that placing the licensing and titling program on-line would expedite a system that has been aggravated by long delays in recent years.

"It's coincidental and nice," Michalowski said, "to undertake this pilot program at a time when the state's budget outlook is bleak, at best."

He said new-car dealers—but not used-car dealers—and auction houses and currency exchanges would be sought out to participate in the new program. Michalowski said it is diffi-

cult to place a timeline on when the program would begin because of the many changes in elected leadership beginning in January.

Michalowski told the CATA directors that a Secretary of State Dealer Advisory Committee will meet in Springfield Jan. 14, the first gathering of the committee since June 2001. The committee reviews the secretary of state's vehicle services department on what is working and what isn't.

Some CATA directors indicated it is difficult to get through to the office's toll-free hotline during the afternoon, and Michalowski said he would consider adding staff during peak hours. Input-related errors caused by state workers also are a concern.

Michalowski said the secretary of state staffers replated 9 million vehicle license plates in 2002, compared to about 1.5 million in a typical year. "We did about five years' work last year."

Emmy to NBC5 for auto show special

NBC5 Chicago won a fourth award in four years for its special coverage of the 2002 Chicago Auto Show, during November's 44th Annual Chicago Emmy Awards.

The telecast, "NBC5 Presents: The 2002 Chicago Auto Show," won in the category, Special Event Program (not created for television).

The 60-minute live broad-

cast aired the second day of the auto show's 10-day public run. WGN-TV also produced an hour-long special.

The latest Emmys honored work televised from June 1, 2001 to May 31, 2002. NBC5 won eight Emmys in all.

The local awards are presented by the Chicago/Midwest Chapter of the National Academy of Television Arts and Sciences.

2003

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the cost to repair that damage exceeds 6 percent of the vehicle's MSRP.

However, damaged glass, tires, bumpers, in-dash audio equipment—and now, in-dash video and telephonic equipment—does not count against that 6 percent threshold if the damaged items are replaced with OEM equipment.

Air Bags

It is illegal for anyone to install or reinstall in a vehicle any object in lieu of an air bag which is designed specifically for the make, model and year of that vehicle, according to federal safety regulations. Violators of the new law would be subject to a Class A misdemeanor.

The governor approved all three dealer-related bills before him from this year's General Assembly.

CATA offices closed Dec. 25, Jan. 1

The CATA administrative offices will close Dec. 25 and Jan. 1 to celebrate the Christmas and New Year's Day holidays.

The CATA board of directors and staff wish all our members a happy, healthy and prosperous 2003!



Marketplace

Warranty Administrator/VOM 20+ years experience as warranty administrator, with responsibility for all related duties. Advanced computer knowledge. Motivated, hard-working, dependable. Anonymous, call the CATA for contact information.

Office Manager/Controller Experienced, devoted, quality-focused. GM, Chrysler, VW, Nissan and Honda general ledger knowledge. Eight years dealership experience, from cashier to management. ADP and Reynolds & Reynolds. Shannon McCarthy, 630-637-0349.

Résumés of both candidates on file at the CATA.