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Focus of CATA seminar on Oct. 20

Dealers developing strategies to reach their Hispanic consumers

The country's Hispanics number more than 39 million, and they are expected to comprise 25 percent of the U.S. population by 2050.

That phenomenon could greatly impact the automobile market; Hispanics in 2003 spent $163.5 billion on new and used cars.

Dealers are developing new strategies to target Hispanics. An Oct. 20 seminar at the CATA, presented by Telemundo Chicago, Hoy and 107.9 La Ley, examines the topic. See the seminar registration form in this newsletter.

A study by J.D. Power and Associates indicates Hispanics account for 8 percent of all new-vehicle sales, a figure that could rise to 13 percent by 2020.

Dealers are making strides to get Hispanic customers to their showrooms, but experts warn of pitfalls if Hispanics are approached like other minority groups.

More than thinking about language on dealer Web sites and during the sales, F&I, and closing process, dealers are urged to learn which particular dialect of Spanish their Hispanic patrons use.

Says dealer consultant Mauricio Espinosa: "There are 17 different Hispanic words for 'wheel' or 'tire.' Your translated flyer may not make any sense if it is translated in one dialect and your customers come from another dialect."

Also, newly arrived Hispanic customers may have no credit history, making it hard to find a lender. Cash sales are common.

Understand Polygraph Protection Act

By Edward Druck and Desiree Williams
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CATA Employee Relations Counsel

The Employee Polygraph Protection Act ("EPPA") prevents most private employers from giving polygraph tests to employees or potential employees to screen for promotion or em-

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Area dealers prep for NADA's Booster Seat Safety Month; seat belt use reaches record 80%

Dealers nationwide will hold child seat installation events at their dealerships in October as part of the NADA's campaign, Booster Seat Safety Month.

The promotion is an expansion of the association's ongoing "Boost for Safety" movement.

Tom Hawkes, president of Hawk Lincoln-Mercury in Oak Lawn, will on Oct. 24 repeat the safety seat program he has held the last three or four years. He expects 60 to 70 people.

"We set the shop aside for them on a Sunday, and that's really what they want," Hawkes said.

Charley Smith, NADA chairman, said such events are a good opportunity for dealers to reach out to their communities.

"As dealers and leaders," Smith said, "we can play a vital role in making the roads safer for children of all ages. This will not only help save lives, it will also help improve the image of dealers."

The NADA produced resources to help dealers host safety events. All the materials can be ordered at 703-760-7562 or downloaded at www.nada.org/boostforsafety/

Meanwhile, federal officials said this month that seat belt use among American motorists continues to rise, with a record 80 percent of people now buckling up.

Transportation Secretary Norm Mineta credited the 21 states that have laws permitting police to stop motorists simply for not buckling up.

The new survey found seat belt use to be highest in the West, at 84 percent, and in the South, at 80 percent. Use was lowest in the Northeast, at 76 percent, and in the Midwest, at 77 percent.

When the National Highway Traffic Safety Administration in 1983 first surveyed seat belt use, the national use rate was 14 percent.

Polygraph

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ployment, or, more common, as a basis for disciplinary action. Indeed, as many employers seek ways to identify and combat theft and dishonesty, the use of polygraph tests is often considered.

The use of polygraph tests generally is prohibited, but there are certain narrow exceptions. Most relevant to Dealers is an exception allowing employers to request an employee to submit to a polygraph test as part of an ongoing investigation involving economic loss or injury to the employer's business.

Such investigations include incidents of theft, embezzlement, misappropriation and acts of unlawful industrial espionage or sabotage.

For an employer to administer a polygraph test, the employee must have had access to the property that is the subject of the investigation, and the employer must have a reasonable suspicion that that particular employee was involved in the incident. That prevents employers from testing all employees or employee groups solely on the basis that it suffered some loss.

An employer who asks an employee to take a polygraph test as part of an ongoing investigation must strictly comply with the requirements of the EPPA regarding (1) notice of the testing and information the employee must be provided prior to examination; (2) methods of testing and the limitations/prohibitions of certain questions; (3) licensing and reporting of the examiner; and (4) use and disclosure of test results.

With respect to Item 1, the employer must provide the employee with a statement that identifies the specific incident or activity being investigated, including an identification of the specific economic loss or injury to the employer's business.

The statement also must assert that the employee had access to the property that is the subject of the investigation, as well as the basis for the employer's reasonable suspicion that the employee was involved in the incident being investigated. The statement must be signed by an authorized representative and be retained by the employer for at least three years.

The employer also must inform the employee of the date, time, location and conditions of the test. An explanation of the testing conditions must include a description of the instruments involved, whether the testing area contains a two-way mirror or camera and whether any recording or monitoring devices will be used. Finally, the employee must be permitted to stop the test at any time.

Consequences for failure to strictly comply with the EPPA can be severe. Violations of the law can result in civil penalties up to $10,000 per violation. In addition, an employer who violates the law may be liable to the employee or prospective employee for legal and equitable relief, including being required to hire, reinstate, or promote the individual and to pay lost wages and benefits.

In certain limited circumstances polygraph tests may be an appropriate and effective tool to identify employee theft and misconduct.

However, because the law is so restrictive, extreme caution should be exercised when Dealers seek to use polygraph tests during ongoing investigations and they are advised to consult with their attorney before doing so.

The Year of the Lease

Faced with slowing sales, automakers are offering the best leasing deals in nearly a decade, the Wall Street Journal reported this month.

Carmakers are both subsidizing lease payments outright and shortening the length of contracts to entice new drivers. In a shift, they also are increasingly allowing customers to get out of leases early if they sign up for a new lease.

General Motors this month unveiled a new leasing program that allows customers to get out of their current leases ahead of schedule if they decide by Sept. 30 to buy or lease a new vehicle using GMAC, its financing unit.

DaimlerChrysler is offering an additional $1,000 rebate if customers lease their car through its financing unit. Toyota and Honda are lowering monthly lease payments by subsidizing the costs to the leaseholder.

Toyota has a new leasing deal on 2005 Camrys, which Toyota Financial Services' Steve Gordon calls "very aggressive." Under the leasing deal, customers will pay $199 a month on a 36-month lease. The average payments on a three-year lease would be about $300 a month, auto industry experts say.

But with the rush of new incentives, automakers are regulating deals by being more selective about which vehicles and markets receive leasing support.

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Review past editions or search by topic at www.cata.info/

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10 tips to spot warranty problems—before the auditors do

Warranty audits typically are as welcome as running out of gas in the middle of nowhere or getting a flat without a spare. Worse, they often sneak up without warning and leave a six-figure chargeback in their wake. But the pain of a warranty audit, like other dreaded events, can be prevented or minimized with preparation.

"The best control (a dealership) can have over warranties is a financial person who makes sure the i's are dotted and the t's are crossed," said Walt Ginther, who specializes in warranty administration for dealerships. Ginther, a CPA who spent 13 years as a Ford auditor, figures that all the average-size dealership has to do is "get sloppy," and it could easily have a $100,000 audit.

Getting sloppy is not uncommon.

"In many dealerships warranty is like a stepchild that the financial people don't want to deal with," Ginther said. "Most financial people just make sure the warranties get paid."

For those who don't pay much attention to warranty claims, or who are unsure how to dot those i's and cross those t's, Ginther offers some advice on how to handle 10 "red flags"—before the auditors come knocking.

Add-on repairs. Make sure add-on repairs—repairs for problems detected that don't match the customer's complaint—are authorized by service management in writing. Ginther recently was involved in an $80,000 audit which resulted largely from inadequate add-on documentation. While the dealership's day management had authorized add-on repairs, its night management had failed to do so.

Comeback repairs. Have service providers ask each customer three key questions: Did you have this problem before? Was it OK when you left the shop? When did the problem reoccur? Record the answers on the repair order and get the customer to initial it. If the customer says the vehicle worked when he left the shop, but the problem is back, it should be handled like a new problem and not a comeback.

Technician's time recording. Make sure technicians remember to consistently punch on and off individual repair orders. If they fail to do so, especially when taking breaks, they'll frequently exceed labor time standards—and that catches the eyes of auditors.

Payroll records. Make sure technicians clock in each day. The payroll time clock has to match each technician's repair orders, or the result is discrepancies.

Goodwill. Remember to document the reasons why goodwill adjustments were offered beyond the warranty period, and make sure the reasons are acceptable. Extending goodwill is OK for repeat customers or customers who may be in the market for a new vehicle. On the other hand, don't appear to offer an "extended secret warranty" to all customers who have recently exceeded their warranty mileage, said Ginther.

Parts availability. Warranty repairs require the use of factory parts purchased from the factory or from an aftermarket source. Make sure inventory records clearly state beginning physical inventory plus purchases from all sources (which can be checked against the accounts payable records). Ginther advises to indicate on the accounting record of a repair order if a part was purchased elsewhere.

Fluids. Dealer who don't use the factory's fluids (e.g. engine oil, transmission fluid, power steering fluid, coolants) can invalidate the repair and void the warranty. And the auditor can charge back the fluid or the entire repair. Purchase enough factory fluids for warranty repairs from either the factory or a wholesale distributor—and keep the documentation to prove this.

Technical assistance. Whenever technical assistance is received from the manufacturer, it is critical for service people to document who they spoke to, when they spoke to them, specific recommendations provided, and the case number. The technical assistance worksheet, if available, should be attached to the work order.

Return of scrap parts. Any part that came off a repaired vehicle should stay in the parts department until claim payment is made. A stamp on the repair order should indicate the part number and the date received. The parts department employee who received the part should initial the repair order.

Record retention. Make available for auditors any required repair order records (up to 12 months beyond warranty claim payment for Ford; 24 months for GM). Stash older records out of sight in a separate storage area, away from auditors.

To guage how warranty expenses stack up, Ginther says to review a manufacturer's monthly expense reporting forms, which compare dealers' warranty expenses. That helps a dealer to identify areas where it is difficult to maintain costs and to work on them prior to the pressure of an audit. Remember, audit exposure is usually influenced by the dollar amount claimed in warranty repairs.

Dealers, Ginther said, who dot their i's and cross their t's come out of the audit owing nothing. That happened a few years ago to one of his Midwest clients—and the auditor didn't like the clean slate he found. The dealer apparently tried to charge back a diesel engine repair merely to have something to report. Ginther helped to appeal this charge, and the manufacturer ended up reversing it.

Most dealers learn from their costly warranty mistakes. But, Ginther said: "Some learn fast and become good-documented dealerships. Others just go on their merry way and don't do anything about it."

Northwood U.'s auto show Oct. 8-10

More than 450 cars, trucks, RVs, vans and experimental and specialty vehicles will be displayed at what is billed as the world's largest annual outdoor new-car show, the Northwood University International Auto Show.

Show hours at the Midland, Mich., campus are 1-6 p.m. Oct. 8, 9 a.m.-6 p.m. Oct. 9, and 10 a.m.-5 p.m. Oct. 10. For more details, visit the university Web site at www.northwood.edu/

Lease

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Ford spokesman Dave Reuter said: "Ford Motor Co., for example, is offering special lease deals in select regions and only on certain models. None of those programs are widespread. They are used sparingly and are targeted to specific regions, depending on where we are at with our specific sales."

Also, automakers are shortening the leases terms. Dealers and manufacturers prefer shorter leases because the contracts get consumers to sign up for new cars more frequently.

Three-year leases now represent about 37 percent of all leases, compared with 31 percent a year ago, while four-year contracts represent about 27 percent of all new vehicle leases today compared with 34 percent a year ago, according to CNW.

In addition, the shorter leases increase the value of the car when placed in the used-car market, and limit the costs needed to "recondition" the car.

Attorney advises how to lessen risk of ID theft

A corporate attorney sent the following advice to his company's employees who travel. Security is tantamount!

1. The next time you order checks, have only your initials (instead of first name) and last name put on them. A thief who takes the checkbook would not know if the checks are signed using just initials or with the first name, but the bank would know.

2. When writing checks to pay on credit card accounts, indicate only the last four digits of the account number on the "For" line. The credit card company knows the rest of the numbers, but anyone who might handle the check as it passes through the processing channels won't have access to it.

3. Indicate a work phone number on checks instead of a home number, and a post office box number or work address instead of a home street address. Never print Social Security numbers on checks.

4. Photocopy both sides of all contents of a wallet. That will confirm the wallet's contents and indicate all account numbers and phone numbers to call and cancel, if necessary. Keep the photocopies in a safe place.

My wallet was stolen last month. Within a week, the thieves ordered an expensive monthly cell phone package, applied for a Visa credit card, had a credit line approved to buy a Gateway computer, received a personal identification number from the Department of Motor Vehicles to change my driving record information on-line, and more.

But here's some critical information to limit any damage:

• Cancel credit cards immediately. The key is having the toll-free numbers and your card account numbers handy, to know whom to call.

• File a police report immediately in the jurisdiction where it was stolen. That proves diligence to credit providers, and it is a first step in any investigation.

But perhaps most important:

• Call the three national credit reporting organizations immediately to place a fraud alert on your name and Social Security number. I had never heard of doing that until advised by a bank that called to tell me an application for credit was made in my name over the Internet. The alert means any company that checks your credit knows your information was stolen and they have to contact you by phone to authorize new credit.

By the time I was advised to do this, almost two weeks after the theft, all the damage had been done.

There are records of all credit checks initiated by thieves' purchases, none of which I knew about before placing the alert. Since then, no additional damage has been done, and the thieves threw my wallet away this weekend. (Someone turned it in.) It seems to have stopped them in their tracks.

The credit reporting agencies are:

Equifax: (800) 525-6285

Experian (formerly TRW): (888) 397-3742

Trans Union: (800) 680-7289

Social Security Administration (fraud line): (800) 269-0271

Marketplace

Title & License Meticulous recordkeeping; exceptional organizational, communication, problem-solving skills. Experience with training, supervising. Jim Hepner, 630-268-9758.

Controller CPA with expertise in GM, Mercedes-Benz and Mazda dealership financial management, forecasting, reporting, analysis, inventory control, more. R&R and ADP accounting systems. James McCallister, 219-924-2400 ext. 121. Résumés of both candidates on file at the CATA.