

## **Use a checklist to monitor F&I compliance**

Compliance in the F&I process involves many elements, including documented policies and procedures, consistent and ongoing training, industry certification, and most importantly, a process to inspect the results against your expectations.

A three layered audit process works very well to ensure that the F&I producers are conducting their transactions in a fully disclosed manner.

The billing clerk completes the first layer on a daily basis as the clerk breaks down and books the deal. The second layer consists of the dealership Office Manager conducting a more detailed review of selected deal files on a monthly basis. Finally, a quarterly review by an outside set of eyes, whether the dealer's attorney, accountant or a consultant, is the third layer.

The most important audit level is the one completed daily by the billing clerk. This review, if completed properly, will uncover the majority of F&I compliance issues in a timely manner so that corrective action can take place immediately.

A critical tool for the billing clerk is an audit checklist. The use of a checklist helps provide quality control because it provides the clerk with a roadmap of the critical items to check on every deal. Here is a list of the critical items that should be part of the billing clerk's checklist:

- Does the agreed upon term, APR and payment on the menu match the term, APR and payment on the Retail Installment Sales Contract (RISC)?
- Does the products selected on the menu match the products purchased on the Buyer's Order, and if disclosed, on the RISC?
- If the customer declined all products, has this been stated on the menu along with the customer's signature?
- Does the amount due on the Buyer's Order match the amount financed on the RISC?
- Is the agreed upon price on a lease consistent between the order for a leased vehicle and the lease agreement?
- Are the product prices consistent on the menu, Buyer's Order, RISC and all product enrollment forms?
- Did both the customer and F&I Manager sign the Buyer's Order, the RISC and the product enrollment forms?
- Did the customer sign the credit application and the menu?
- Are all the documents the customer signed completely filled out and the customer copy given to the customer?
- Are all strikeovers, changes or alterations to the credit application initialed by both the customer and a dealer employee?
- Is there a legible copy of the customer's government issued identification?
- Is the Used Car Buyer's Guide properly completed and signed by the customer?

- Are all voided contracts (RISC/Lease Agreement) and enrollment forms marked or stamped “VOID” and signed by the buyer?
- Are all optional F&I products, including the dealer reserve, sold in compliance with the dealer’s F&I pricing policy?
- Has the FinCEN 8300 been completed, if applicable?
- Does the downpayment media (cash receipts, rebate forms, check copies, etc.) match the RISC downpayment or lease starts?

If the answer to any of these questions is no, the deal should be kicked back to the appropriate manager so that it can be corrected before booking the deal. In most cases, the appropriate manager is the General Manager, so that the General Manager is aware of an employee that is not performing his or her job duties up to expectation and appropriate measures can be taken.

Finally, with training and a little experience, a billing clerk should be able to perform this compliance drill in ten minutes or less.

F&I compliance takes some effort. It requires management focus and consistent auditing and follow-up. Using a checklist certainly assists the dealer that is serious about compliance.

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