

# CUSTOMIZED PROTECTION FOR YOUR DEALERSHIP

▲ Axiom recognizes each dealership is unique with its own operating structure, governance, challenges, risks and culture.






All dealerships have varying areas and degrees of risk stemming from internal control deficiencies. These risk areas tend to manifest themselves to a greater extent when the dealer and/or the executive leadership team have a higher tolerance for inappropriate or risky behavior in their means to achieving operational results.

When a dealership lacks proper tone at the top, we tend to see a systematic break down in other key internal control areas of the dealership, particularly in the dealership's personnel maintaining a proper moral barometer. Accordingly, each dealer's advisory needs are distinctive, from a single point store to the largest dealership groups with in-house internal audit departments.

Axiom Advisors has developed a proprietary and proven internal audit program designed to detect operational risks through Cognitive Situational Awareness ("CSA") techniques performed by seasoned automotive professionals. The goal of the Axiom Analysis is to protect dealers by revealing risks in the operating environment of their dealerships. These risks are evaluated in two main categories:

- What caused the transaction or risk to occur in the first place?
- How did dealership personnel, particularly management, handle this risk scenario?

The detection and analysis of these risk scenarios allows us to evaluate the structural integrity of the internal control environment and evaluate the motivations of personnel allowing these events to occur. Through this analysis our goal is to provide recommendations on improving the operational environment in an effort to safeguard the company's assets.

Op-code	 CSA	 CSA-X	 Axiom Departmental	 Axiom Interim	 Axiom Analysis
CSA Exceptions	✓	✓	✓	✓	✓
Review of Exception Findings	•	✓	✓	✓	✓
Management Interviews	•	•	✓	✓	✓
Detail of Findings	•	•	✓	✓	✓
Schedule Review	•	•	•	✓	✓
Axiom 115 Point Inspection	•	•	•	✓	✓
Trial Balance Analysis	•	•	•	✓	✓
Executive Report Presentation	•	•	•	•	✓
Onsite Dealership Visit	•	•	•	•	✓
Executive Summary Report	•	•	•	•	✓
Risk Environment Infographic	•	•	•	•	✓
Bank Reconciliation Analysis	•	•	•	•	✓
Review of Sales Tax Returns	•	•	•	•	✓
Assessment of Manager Commissions	•	•	•	•	✓
8300 Filing Inspection	•	•	•	•	✓
Vehicle Inventory Controls Evaluation	•	•	•	•	✓
Parts Reconciliation Analysis	•	•	•	•	✓
Retained Earnings Review	•	•	•	•	✓
Open Repair Order Analysis	•	•	•	•	✓
Open Parts Ticket Analysis	•	•	•	•	✓
Conflict of Interest Assessment	•	•	•	•	✓
<b>Average Dealership Price*</b>	<b>\$750</b>	<b>\$1,950</b>	<b>\$15,250</b>	<b>\$24,750</b>	<b>\$34,750</b>

\*Per General Ledger/Entity. DMS Access Required.

▲ Axiom has harnessed the proven power of the Axiom Analysis internal audit with newly customizable solutions to meet the specific needs of every dealer.

With the Axiom Suite of internal audit services, dealers can customize a program of internal risk assessment services by selecting any combination of the simplest level of coverage to the most in-depth and comprehensive dealership internal audit. At any level, our proven services are known to pay for themselves.

## CSA



CSA exceptions are ideal for the dealer seeking a **baseline risk assessment** to complement an existing internal control structure. CSAs are not random selections, nor are they readily available from reports within a DMS or aggregating software. Rather, CSAs are obtained through proprietary algorithms paired with industry knowledge and experience to ensure we are “fishing where the fish are”. CSAs are selected by Axiom through behind the scenes analysis of six (6) months of DMS data in its raw and purest form. CSAs are aggregated into groups of ten (10) transactions for each department selected. The selections are then provided to the dealer’s existing internal audit department or designated manager to test and provide findings to dealership management. Dealers can select specific focus areas including but not limited to New and Used Vehicle Sales, Service, Parts, Body Shop or Administrative departments for testing. Selections can be provided monthly, quarterly or any desired frequency – the departmental focus and the amount of coverage is entirely up to you.

## CSA-X



CSA-X exceptions are CSAs above with the added value of Axiom professionals’ **evaluation of management’s findings**. In addition to providing the ten departmental CSAs for testing, Axiom will also review and evaluate the results of the dealership’s findings. CSA-X is ideal for the dealer who values “a second opinion” through an unbiased review and assessment of their internal auditor’s or designated manager’s findings. Axiom’s team will review the dealership’s findings and provide valuable feedback to management to ensure the exceptions are properly tested and identified risks are followed through.

## AD - Axiom Departmental



The **AD** analysis is a highly focused internal audit program designed for the dealer who has a **specific area of concern** or opportunity for improvement within the dealership. The focus of this analysis can be directed towards a single department such as the Body Shop or Accounting, or a specific area of responsibility such as a Pre-Owned Sales Manager or Controller. The **AD** begins with twenty five (25) CSA selections with laser focus on the dealer’s area of concern. Axiom professionals test the exceptions through detailed review and analysis of supporting documents provided by the client and conducting key management interviews. Axiom will provide the dealer a Summary of Findings supported by Details of CSA exceptions tested.

## AI - Axiom Interim



The **AI** analysis is similar to the AD, but encompasses **all departments** within the dealership operation and offers more than twice the coverage. The **AI** is designed for the dealer who seeks a direct and concise risk assessment including all departments within the dealership, but less scope than a comprehensive internal audit. The **AI** is the perfect interim view between full internal audits for greater coverage or as a complement to an existing internal audit department. The **AI** begins with fifty (50) CSA selections, plus additional analysis of manufacturer financials and trial balance, financial trends, and the Axiom 115 Point Inspection (KPIs). Axiom professionals test the exceptions through detailed review and analysis of supporting documents provided by the client and by conducting key management interviews. Axiom will provide the dealer a Summary of Findings supported by Details of CSA exceptions tested.

## AA - Axiom Analysis



The **AA** is the **most comprehensive and in depth** internal audit service provided by Axiom and possibly in the market. The **AA** is ideal for dealers who only have audited or reviewed financials, or dealers who have experienced changes in key personnel, financial performance changes, or simply desire the highest level of service in identifying and assessing potential risks which exist within their operations. The **AA** begins with between seventy (70) to one hundred (100) CSA selections, all items included in the AI analysis, plus additional focus on high risk areas based on observed industry trends in fraud, embezzlement and compliance. These focus areas include and are not limited to controls over inventory, cash, compensation and other areas of dealership exposure such as employee conflicts of interest. The **AA** also includes a site visit to physically observe operational risk areas and conduct in person management interviews. The **AA** will provide the dealer an Executive letter with key issues, comprehensive details of exceptions tested and recommendations stemming from the analysis.