Consolidating Back-Office Operations for Multilocation Dealer Groups: Lessons Learned From Those Who Have Succeeded

with
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Crowe Horwath LLP Retail Dealer Group

Moderated by
Mike Bowers, Executive Editor
DealersEdge

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Contact Information

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Jodi Kippe is a Partner with Crowe Horwath LLP, a top ten public accounting and consulting firm. Ms. Kippe is a CPA with more than 25 years’ experience working exclusively with Crowe’s Retail Dealer clients. Ms. Kippe provides audit, risk, financial advisory, and performance profitability services and manages the relationships for many of Crowe’s largest dealership groups. She has lectured at NADA and AICPA conferences, as well as other automotive and state associations. She is a published writer, with articles featured in trade magazines, periodicals, and business journals. Ms. Kippe is the recipient of Florida Institute of CPA’s Women to Watch Experienced Leader award and Women’s Automotive Association International Spirit of Leadership award.

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**Mercedes Hendricks, CPA**  
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Mercedes Hendricks is a senior manager at Crowe, working exclusively in the Retail Dealers group. Mercedes has 12 years of public accounting experience, with the last 7 years spent providing assurance and financial advisory services to more than 100 retail dealerships across the country. She has designed, supervised, and managed various accounting projects, and performed internal controls/compliance testing projects with privately held dealership groups. Mercedes also consults on accounting and operational processes that enhance dealerships daily operations.

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Topics to be Covered

- The Benefits of a Consolidated Accounting Office
- Is a Consolidated Accounting Office Right for You?
- How to Get Started
- Lessons Learned
- Centralized Accounting Office Metrics
Benefits

- Cost savings
- Greater effectiveness and efficiency
- Opportunity to attract, develop, and maintain a more talented staff
  - Ability to create career path
  - Cross-training
- More direct control over the various reporting and compliance issues
- Consistent policies and procedures simplifies consolidated reporting, and creates efficiencies in the internal audit function
- Stronger internal controls with more effective segregation of duties
- Faster closings and reporting to manufacturers and stakeholders
- Reflects positively in potential future M&A activity

Is a Consolidated Accounting Office Right for You?

Solid Starters – Basic Information to Build Business Plan, Research and Due Diligence
Solid Starters – Basic Information to Build Business Plan

- Number of dealerships
- Location of dealerships
- Employees
  - Experience, strengths and capacity (leadership quality?)
  - Ratio of total employees per one accounting employee
  - Cost structure
- Culture
- Ownership structure
- Current organizational chart

Research and Due Diligence

- Consult with your 20 Groups, CPA firms and other industry specialists
  - Get references from them for other dealers to consult with
- Conduct phone surveys of multiple dealership groups
- Select the best of the dealer groups for on-site visit
  - Physically observe the accounting office
  - Interview key personnel
  - Identify successes and cost savings experienced
  - Identify the hurdles
- Understand organizational, structural and cultural factors unique to your organization
- Understand that one-size does not fit all
  - Using basic information obtained in initial phase, determine what pieces of the various models researched can be combined to create the right model for you
  - Don’t try to fit your organization into the one best model you found
How to Get Started

Practical Considerations
Plan for the Hurdles
Timeline for Conversion

Practical Considerations

- Location
- Assembling the right team
- Determining what functions to consolidate (all or some?)
- Selecting system(s)
- Document transport, security and retainage
  - Use scanners?
- Designing new policies and procedures for centralized business office as well as the individual stores
- Redesigning the organizational charts for the dealerships and the centralized office
  - Are there teams that handle specific stores?
  - Are there teams that handle specific areas or functions?
Sample Structure of Centralized Accounting Office

- CFO
- Corporate Controller
- Consolidated Accounting Manager
  - Accounts Payable Lead
    - AP Clerk
  - Accounts Receivable Lead
  - Payroll Lead
  - Billing Lead
    - Billing Admin.

Plan for the Hurdles

- Anticipate push-back
  - Dealer buy-in is critical
- Culture shifting
- Changing roles for accounting personnel
- Geographical disbursement
- System issues (DMS, CRM)
- Chart of accounts
Timeline for Conversion

- Phase-in approach
  - Start with certain functions
  - Start with certain regions
  - One dealership at a time
- All-in
- Develop timeline and monitor progress

Lessons Learned

A Walk Through the Functions
Overcoming Challenges
Reporting
A Walk Through the Functions

- Billing
  - RDR function performed at dealership by finance department
  - Handling differences between F&I gross and Accounting gross
  - Commissions
  - Deadlines
  - Deal jackets

- Accounts Payable and Cash Disbursements
  - Demand checks
  - PO’s and invoices
  - Wire transfers
  - Vendor payments with credit cards

A Walk Through the Functions (Continued)

- Bank Reconciliations
  - Daily bank reconciliations
  - Separate account for wires
  - Use of scan checks feature with bank

- Payroll
  - Documented pay plans
    - Can use standard template, but need for customization
    - Approved by CFO or dealer, at a minimum
    - Some have HR sign off to ensure pay plan in compliance with state and federal laws
Overcoming Challenges

- Continuous communication to maintain buy-in and support
  - Put in place various channels so that GM’s are connected to the accounting office (in-person meetings, e-mail, shared drives or databases, video conferencing)

- Chart of accounts
  - Select one manufacturer and follow it
  - Designed for flexibility and growth

- Transporting of documents

- Structure
  - Preference towards teams that handle particular areas or functions vs. particular stores
  - Have an office manager assigned to each store
    - Provides one person who maintains knowledge of manufacturer programs, state requirements, and provides GM a consistent go-to person
  - Typical roles left at the dealership are receptionist and cashier and title clerk

- Timing
  - Challenges with phase-in approach

Reporting

- Daily
  - Outstanding deals listing, CIT listing, Floorplan balance report

- Weekly
  - Sales Log, Variance Adjustment Logs, Receivable report

- Monthly
  - MIS or DOC, Factory FS, Finance Adjustment report
  - Group Comparison, Actual to Budget Comparison, Sales Force report, Traffic report, CSI reports, Fixed Absorption report

- Other
  - Month end close is 5 days
  - General Managers approve all expenses and month end numbers before going final
Centralized Accounting Office Metrics

- # of deals per month billing clerks can handle?
- # of titles per month title clerk can handle?
- Ratio of all dealership personnel to accounting personnel?
- Ratio of managers/supervisors to clerks in the accounting office?
- Other