



**HEALTH CHECK:
ACCOUNTS PAYABLE**

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Keys to accounts payable

- A well running payables function in a dealership is a combination of proper purchasing and efficient payment.
- More than KPIs; performance is judged when we find issues, exceptions and errors
- The rule of mistakes

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Payables

- Inventory
 - Factory
 - Outside purchases
- Deal related
 - Taxes and Motor vehicle
 - Aftersale Products
 - Payoffs (floorplan and lien)
 - Refunds
- Operations (water, rent, insurance)
- Special Requests (charity, goodwill)
- Not considering payroll/commissions/benefits

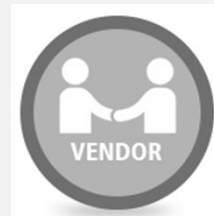
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Vendor control

- Who can enter new vendors in your DMS
- New vendor forms
 - W-9
 - OFAC
 - Complete the information in the DMS
 - Verify legitimacy
- Sales/use tax is correct



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Purchasing/Purchase Orders/Check request

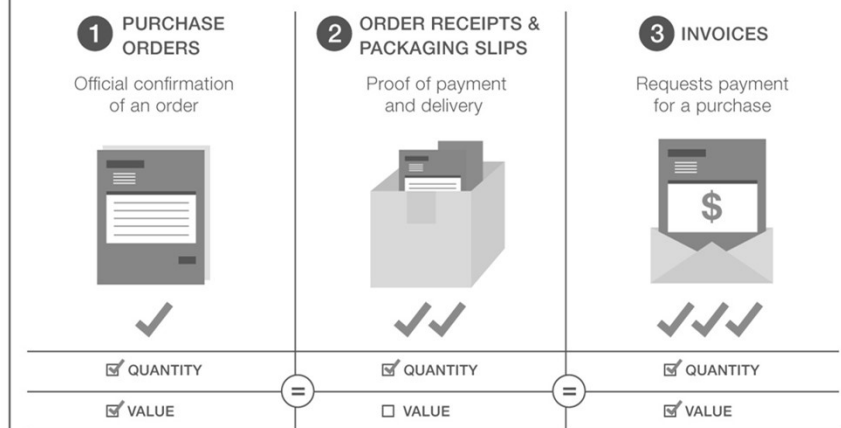
- Most things we buy don't have formal control
- Management control and separation of duties
- The point of a purchase order, check request or related is to be very specific about what the company is buying.
- Generating purchase orders after the fact or from a vendor's invoice is kind of pointless. You might just as well have management sign and write the correct account numbers on the invoice.

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The three-way match

What Is Three-Way Matching



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Questions for every invoice

- What did the dealership order? (e.g., PO)
- What did the dealership receive? (e.g., packing slip)
- Are the unit costs, calculations, totals, terms, etc. all correct from what was expected?
- Does contact information match your system?
- Does the invoice have a unique number?
- What is the due date and terms of payment



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Approval of invoice

- With the three-way match and check request items, we have already established management approval (hopefully)
- Who approves the window cleaner, the pizza delivery, the electric bill, the ads we ran this month, etc.?
- Approver needs to not only verify the correctness of the invoice, but also the correct accounts and departmental distribution.



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Cutting a check

- Vendor statement reconciliation
 - Matching invoices and marking as paid
 - Missing invoices (from your AP and their statement)
- Who are the signatories?
- Back-up requirements



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Non-check purchases/payments

- Corporate cards
- ACH/EFT
- Factory



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Bank Reconciliation

- Positive pay
- Endorsements
- No address on check
- Random selection of checks made to individual
- Don't forget the refund account as well

Bank Statement		General Ledger				
Lake City National Bank 212 Golden Street P.O. Box 6518 Lake City, XX 12345 Statement date: July 1, 20X3 - July 31, 20X3 Statement for: The Tackle Shack 445 Main Street Lake City, XX 12345 Account # 76-7888-0987		Date	Description	Debit	Credit	Balance
CHECKING SUMMARY Previous statement balance on 06-30-X3 46,543.89 Total of 4 deposits + 31,209.11 Total of 16 withdrawals - 27,077.77 Interest earnings + 119.34 Service charges - 55.00 New balance 50,739.57		July 22, 20X3	Journal page 7	5 375.62		\$44,234.61
		July 24, 20X3	Journal page 7	2,779.59		41,455.02
		July 24, 20X3	Journal page 7	9.31		41,445.71
		July 25, 20X3	Journal page 7		53,909.65	45,355.36
		July 25, 20X3	Journal page 7	30.30		45,325.06
		July 30, 20X3	Journal page 7	109.00		45,216.06
		July 30, 20X3	Journal page 7	1,196.69		44,019.37
		July 30, 20X3	Journal page 8	50.00		43,969.37
		July 31, 20X3	Journal page 8		3,565.93	47,535.30

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Schedule maintenance

- AP (open item and balance forward)
- Factory statement
- Other payables
- Accrued Expenses and Pre-paid Expenses

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Unclaimed property issues

- Escheatment laws
- The best time to figure out an uncashed check is “as soon as possible.”
 - Check could have been cut twice and one was not voided
 - Vendor could have voided invoice
- Once you figure out what went wrong then note the situation when voiding the check.

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Questions?

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