



5 Red Flags That Could Be Hurting Your Dealership's Financial Health

Strong financial controls are critical to protecting a dealership's profitability and long-term growth. Many dealerships operate with lean accounting teams and limited oversight, which can allow small issues to grow into larger financial challenges over time. In working with clients across the industry, we often see early indicators that signal when stronger risk controls are needed. Below are five common red flags that can help dealership owners identify potential vulnerabilities before they become costly problems.

Financial Results Not Aligning With Department Performance

When the accounting profit and loss statement shows results that do not align with sales, service, or parts performance expectations, it may be a sign of misclassified entries or inconsistent reporting between departments.

Lack of Segregation of Duties in Cash Handling

A single employee performing multiple steps in cash handling creates a high risk of error or fraud. For example, an individual who records deposits and manages accounts receivable or writes checks and manages vendor arrangements could conceal misappropriations without proper review or oversight.

Sloppy Accounting Schedules

Incomplete or outdated schedules for any account, but especially receivables, cash clearing and bank activity can make it difficult to verify balances and identify errors. This can also slow down the monthly close and frustrate auditors or leadership who rely on timely reports.

Unexpected 13th Month Adjustments

Unexpected adjustments at year-end that significantly change profitability, such as large write-offs of uncollectable amounts or unrecorded expenses, can suggest that financial activity wasn't properly captured or reviewed during the year.

Unreconciled Bank Accounts

Bank reconciliations are such a fundamental accounting function that unreconciled accounts are often the sign of much larger problems. These problems may be as innocent as inadequate training or as malicious as outright theft. Don't let bank accounts go unreconciled and be sure to fully investigate any delays. As each month passes, it becomes more difficult to identify intentional and unintentional differences.

How Can Schneider Downs Help?

If these red flags sound familiar, we can help you close the gaps and restore clarity, control, and confidence across your operations. Reach out to our Dealership Industry Group at contactsds@schneiderdowns.com to start the conversation.

