



## Seven Essential Elements to a Dealership Compliance and Ethics Program

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Compliance and ethics are constant topics of worry and frustration for many dealers. For a successful compliance and ethics program, the following seven program elements are critical components:

### **1. Code of Ethics**

A dealership's Code of Ethics requires commitment to adhere to the highest standards of ethics and integrity regarding its operations, business conduct and work environment. Dealership employees are expected and required to conduct themselves in a manner that is consistent with these standards while at work and in the performance of their duties for the Company. Every dealership should have its own Code of Ethics. The Code of Ethics should be visible in the showroom and integrated into daily operations and dealership culture.

### **2. Written Policies and Code of Conduct**

- A set of written policies (covering sales, F&I, operations, service, parts, advertising, social media, human resources, etc.) is the heart of the compliance program.
- Written policies establish a dealership's compliance standards and procedures, so that dealership culture promotes "ethical conduct" and a commitment to compliance.
- Policies should be a "living" part of daily operations and integrated at all levels – corporate/executive, management and with all employees.
- Policies must reflect state and federal legal requirements and the best practices tailored to each dealership organization. Consult with legal counsel to formulate a set of written policies right for your organization.
- Policies will educate new and existing employees, and also communicate dealership expectations.

### **3. Training/Education**

- Periodic education and training for all employees is essential to ensuring compliance at all levels.
- Training and education should not be a wholesale process, but relevant to each dealership position/department.
- Training and education is an ongoing process which parallels constant changes in state and federal law, new industry developments, and new technology.
- Training is most productive when repetitively administered via multiple methods. Not everyone learns in the same way and everyone is busy!

- The communication of a dealership's code of conduct, policies, and procedures is a daily task. It simply is not enough to expect immediate or ongoing retention from employees. The dealership's code of conduct and policies must be communicated at each opportunity and monitored with checks and balances at all departments. There is no such thing as too much education and training!

#### 4. Audits and Evaluations to Monitor Compliance

- Monitoring and evaluation are essential elements of an effective compliance and ethics program.
- Monitoring is used to help detect and prevent misconduct.
- Monitoring takes the form of dealership internal monitoring and external monitoring by third parties.
- Daily, quarterly, annual and/or specific monitoring is essential to early identification of risks and investigation of problems.

#### 5. Report and Investigation Processes

- Investigations must be detailed and timely. It is important to bring in legal counsel and understand the attorney client privilege and work product doctrine.
- Present the opportunity for anonymous reporting through a hotline, comment box or other means to report in.
- Communicate the Open-door policy to all employees.
- Remember to say thank you! It goes a long way!

#### 6. Accountability System

- Implement an accountability system to reward compliant and ethical behavior.
- Communicate that noncompliance or failure to report noncompliance will be punished.
- Use both carrots and sticks – compensation, awards, and discipline to ensure accountability is at the core of dealership culture, so that passing the buck is not tolerated!
- Be consistent in disciplinary actions.

#### 7. Compliance Officer

- The Compliance Officer should identify areas of risk and make recommendations to dealership management.
- Ensure a Compliance Officer is monitoring a dealership's Risk Management Plans and has full cooperation from all employees and the backing of management to do the job.
- Consider creating a compliance committee consisting of all dealership departments.