

# Audit & Compliance for the Modern Dealership



## Your Monday Morning Outcome

By following this guide, you will have approval workflows governing your highest-risk business processes across all nine transaction types in ARC, a monthly parts inventory reconciliation process built into your close calendar, and WIP reconciling to zero every payroll cycle – so your dealership can demonstrate audit-ready controls when an examiner, lender, or buyer asks for the evidence.

### Before You Start



## Pre-Implementation Checklist

### ✓ Identify your highest-risk business processes

Review vendor invoices, manual journal entries, and payments first. These are the three areas auditors examine most closely and the highest priority for approval rule setup.

### ✓ Map your approvers by role

For each business process, identify who submits and who approves. The submitter and approver must be in different roles. Have this list ready before navigating to Approval Setup.

### ✓ Confirm WIP Reconciliation access in ARC

Navigate to ARC and search for WIP Reconciliation Setup in the App Grid. Confirm your accounting team has access. If not, work with your system administrator to assign the correct role permissions before month end.

### ✓ Schedule parts inventory reconciliation on your close calendar

Block time at month end for the parts inventory reconciliation process. Clean data throughout the month is the prerequisite, not the result. The habit starts before the last day of the period.

### ✓ Pull your current parts inventory value baseline

Run the Inventory Value Report in ARC before your first reconciliation. This establishes your starting point for the adjusted inventory calculation.

### ✓ Have your payroll cycle dates in hand

WIP Reconciliation requires accurate pay period date ranges and accounting date ranges. Date range mismatches are the most common source of reconciliation errors. Know your payroll schedule before setup.

# Before You Start

Area	Navigation Path
<b>Approval Workflows</b>	ARC > Core > Approval Setup
<b>Approval Workspace</b>	ARC > Core > Approval Workspace
<b>Role Comparison</b>	ARC > Settings > Roles > Compare Roles
<b>Role Audit Log</b>	ARC > Settings > Roles > [Role Name] > Audit Log icon
<b>Vendor Access (3rd Party Apps)</b>	ARC > Core > Data Privacy Preferences > 3rd Party Apps
<b>Parts Inventory Reports</b>	ARC > Parts > Reports
<b>Physical Inventory/Bin Checks</b>	ARC > Parts > Physical Inventory
<b>WIP Reconciliation Setup</b>	ARC > App Grid > search WIP > WIP Reconciliation Setup
<b>WIP Reconciliation</b>	ARC > App Grid > search WIP > WIP Reconciliation
<b>GL Inquiry Tool</b>	ARC > Accounting > Inquiry Tool
<b>Flagged Hours Report</b>	ARC > Reports > search Flag > Flag Hours Report



# Configure Roles and Approval Workflows

**Time:** 20 minutes | **Navigation:** ARC > Settings > Roles | ARC > Core > Approval Setup

## Roles and Permissions

Setting	Configuration
<b>Compare Roles</b>	Navigate to Roles. Click Compare Roles. Select the roles you want to compare. Use the Differing Permissions filter to collapse to only the rows where roles diverge. This is your segregation of duties map.
<b>Custom Roles</b>	Build roles scoped to the actual level of responsibility the position carries. A Service Advisor With Less Access exists because someone made a deliberate decision. Role-based assignments survive staff changes and are more defensible in an audit than individual assignments.
<b>Role-Level Audit Log</b>	From any role, click the Audit Log icon in the top right corner. Every permission change to that role is recorded: who made it, when, and what was added or removed. This is Information and Communication – the evidence exists, it is timestamped, it is exportable.

## Approval Workflow Rule Setup

Setting	Configuration
<b>Business Process</b>	Select from the nine available processes. Start with Manual Journal Entry, Vendor Invoice, and Payments – the three areas auditors examine first.
<b>Conditions</b>	Set the trigger. Example: GL Account Number contains 905 Other Income AND posting amount greater than \$1,000. All conditions must be met for the rule to fire.
<b>Approval Levels</b>	Add levels sequentially. Level 1 approves first, then Level 2. No transaction posts until all levels have reviewed in sequence.
<b>Approver Assignment</b>	Assign by role, not by individual name. Role-based assignment survives staff turnover and is more defensible in an audit.
<b>Request Expiry</b>	Set to 480 minutes as a starting point. If the approver does not act, the request expires and fails closed. Reminders fire automatically.
<b>Self-Approvals</b>	For each business process, configure whether the submitter can also be the approver. Manual Approval across accounting processes means a human in a different role must review before anything posts. The system enforces it – not the policy manual.

## The Eight Business Processes: Control Value

Business Process	What It Controls
<b>Parts Sales Order Flow</b>	Revenue integrity at the counter. Any parts sale meeting your threshold requires authorization before closing.
<b>Service</b>	Goodwill coupons, labor rate exceptions, and any condition that touches margin on a repair order require a human gate before posting.
<b>Deal Recap</b>	Prevents unauthorized deal modifications after the fact. One of the most common areas auditors flag.
<b>Vendor Invoice</b>	The foundational AP control: the person who orders does not approve payment. Enforced at the transaction level.
<b>Vehicle Transfer</b>	Any vehicle moving between rooftops requires approval. Prevents inventory recycling that could mask an aging problem.
<b>Payments</b>	Every outgoing payment above your threshold requires an authorization chain before it clears.
<b>Manual Journal Entry</b>	Close controls. Entries hitting sensitive GL accounts above your threshold require review before posting. First thing auditors ask about.
<b>Parts Inventory On Hand</b>	On-hand adjustments above your threshold require approval. Catches shrinkage before it reaches the balance sheet.

## Vendor Access Audit Trail

Setting	Configuration
<b>3rd Party Apps</b>	Navigation: ARC > Core > Data Privacy Preferences > 3rd Party Apps. Every third-party application with access to your customer data is listed here: the vendor, what data is shared, the start date, and when access was terminated. The termination date is not just yes or no – it is when. That is Monitoring Activities, documented.

### CHECKPOINT

Compare Roles run and Differing Permissions reviewed. At least one approval rule created and tested for Manual Journal Entry. Self-Approval setting confirmed for all accounting business processes. 3rd Party Apps list reviewed and termination dates current.

# Build Your Monthly Parts Inventory Reconciliation

**Time:** 45 min at month end (ongoing) | **Navigation:** ARC > Parts > Reports | ARC > Parts > Physical Inventory

Parts inventory carries the same dollar exposure as vehicle inventory. The discipline of reconciling monthly – not annually – is where most dealerships have a gap.

## Approval Workflow Rule Setup

Item	What to Do
<b>WIP</b>	Collect payment and close all possible Sales Orders and Repair Orders. All parts fulfilled on an RO or SO are WIP. Parts on hold are inventory, not WIP.
<b>Negative Inventory</b>	Investigate all negative balances. Either receive the stock or create an on-hand adjustment. Negative inventory reduces your inventory value and creates a reconciliation variance.
<b>Floats</b>	Resolve all unrecognized scanned parts. Floats are parts scanned as ordered but not yet received into stock. No pending floats at month end.
<b>Parts Receiving</b>	Confirm all received parts have invoices posted in accounting or are marked as received but not invoiced. Track parts invoiced but not received separately.
<b>Material Returns</b>	Complete and close all pending material returns. Only returns requiring active tracking should remain open.

Item	What to Do
<b>Used Cores</b>	Close all completed core returns in Core Management. Pending Cores shows cores billed out where the dirty core has not yet been returned.
<b>On-Hand Adjustments</b>	Any on-hand adjustment affecting parts inventory must be accounted for with a manual GL adjustment. Unadjusted entries create a direct variance between parts inventory and the accounting GL.
<b>Prepaid Parts</b>	Mark prepaid items as customer received when fulfilled. Generate a new RO to fulfill prepaid quantities on repair orders.

### Month-End Adjusted Inventory Calculation

Use the calculation below with the Inventory Reconciliation Template (available in your Tekion SharePoint resources). A variance of less than 3% between adjusted inventory and the accounting GL is acceptable. Anything above 3% requires investigation.

Line	Calculation
<b>1. Month-End Total Inventory Value +</b>	Monthly Inventory Transaction Report or Inventory Value Report
<b>2. Work In Progress +</b>	WIP by Source + Detailed WIP by Part + Service RO WIP
<b>3. Used Core Inventory +*</b>	Used Core Inventory Value Report
<b>4. Pending Credits (qty removed) +</b>	Material Returns

Line	Calculation
<b>5. Parts Invoiced Not Received -</b>	Manual tracking by packing slip and invoice reconciliation
<b>6. Parts Received Not Invoiced -</b>	Parts Receiving screen
<b>7. Prepaid Parts Pending Receipt - x2</b>	Prepaid Parts Report (not received status)
<b>7a. Prepaid Parts Received +/-</b>	Prepaid Parts Report (received status)
<b>8. Appreciation / Depreciation* =</b>	Parts Appreciation/Depreciation Report
<b>9. Adjusted Inventory Total -</b>	-
<b>10. Accounting GL Value = +/-</b>	GL Inquiry Tool

*\*If accounting has set up a separate used core inventory GL, reconcile used cores independently and exclude from this calculation. If appreciation/depreciation has already been posted in accounting, exclude from the adjusted inventory calculation.*

## Reports Reference

Report	Navigation	What to Look For
<b>Monthly Inventory Transaction Report</b>	Parts > Reports > Inventory	Opening and closing inventory value by month. Use for the historical month-end value.
<b>Inventory Value Report</b>	Parts > Reports > Inventory	Most current inventory value. Use when running reconciliation mid-month.
<b>WIP by Source Report</b>	Parts > Reports > WIP	Run at start of day. Use total cost price. Covers Sales Orders by pay type.
<b>Detailed WIP by Part</b>	Parts > Reports > WIP	Each part in WIP with extended cost. Combine with Service RO WIP for full picture.
<b>Parts Appreciation / Depreciation</b>	Parts > Reports	OEM price file updates with on-hand value. Must be posted to GL or excluded.
<b>On Hold by Part Report</b>	Parts > Reports	On-hold parts are NOT WIP. Included in inventory value and must be counted.

Report	Navigation	What to Look For
<b>OH Adjustment Report</b>	Parts > Reports	Look for adjustments with Include Adjustment Amount in GL Posting Calculation checkbox enabled. Reduces manual GL entries and month-end variance.
<b>Bin Spot Check (Physical Inventory app)</b>	Parts > Physical Inventory	Variance tabs: Positive, Negative, No Variance. Filter Total Variance by dollar amount to prioritize. Electronic signature closes the count – this is your audit trail.

### Best Practice: GL Posting for On-Hand Adjustments

In Parts Settings, when creating an adjustment reason, enable the checkbox: Include Adjustment Amount in GL Posting Calculation. When selected, the adjustment posts automatically to the GL, eliminating the manual journal entry and reducing month-end variance. Create separate journal entries for different transaction types (overhead adjustments, depreciation, material returns, core depreciation) to make reconciliation between journals and reports cleaner.

#### CHECKPOINT

Pre-month-end preparation complete: WIP clean, negative inventory resolved, floats cleared, material returns closed. Adjusted inventory calculation run and variance within 3% of accounting GL. Bin spot check completed with electronic signature and variance report exported.

# Run WIP Reconciliation Every Payroll Cycle

**Time:** 30 min per payroll cycle (ongoing) | **Navigation:** ARC > App Grid > search WIP > WIP Reconciliation

WIP reconciliation ensures the hours service technicians log on repair orders match what they are paid each payroll cycle. When payroll posts to accounting, the schedule balance for each technician should sum to zero. That is your proof that hours worked equal hours paid.

## Setup: WIP Reconciliation Configuration

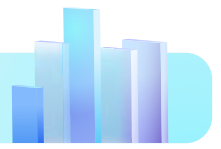
Setting	Configuration
<b>WIP Reconciliation Journal</b>	Set up a dedicated journal for WIP reconciliation postings. Allows you to report all WIP rec postings in one place. Dealers commonly use the payroll journal or general journal, but a dedicated journal simplifies audit review.
<b>Departments</b>	Add all service departments. If Body Shop has a separate WIP account, configure it on its own line. If multiple departments post to the same WIP account, group them.
<b>Service WIP GL Account</b>	The GL account where open RO labor costs accumulate. Must be controlled by Repair Order Control Type in Chart of Accounts.
<b>Accrued Payroll GL Account</b>	Liability account for payroll accruals. Recommend a separate account from Service WIP GL. If using the same account, ensure the payroll journal has an override configured by Employee Number.
<b>Posting Method</b>	Select consolidated posting for all employees. Individual posting creates one journal entry per employee (50 employees = 50 journal entries). Use consolidated.

## Processing a WIP Reconciliation

Step	Action and Notes
<b>1. Click Begin WIP Reconciliation</b>	Select the Service WIP GL Account for the department being reconciled.
<b>2. Set Pay Period Date Range</b>	Dates for the ROs and associated labor cost from the Flagged Hours report. Must match exactly to the payroll period being paid.
<b>3. Set Payroll Accounting Date Range</b>	Dates the payroll check hit accounting. For the first WIP rec, the same date can be used for both ranges. Maintain a working date range going forward.
<b>4. Review Employee Hours vs. Accrued Payroll</b>	Flagged Hours pulls from the Service Flagged Hours report. Accrued Payroll pulls from employee control numbers in the GL. These should match. Investigate any difference before posting.
<b>5. Set Reconciliation Accounting Date</b>	The journal date for the posting. Verify individual ROs are debited and employee numbers are credited.
<b>6. Post WIP Reconciliation</b>	You can delete and remake the WIP rec with corrections until it is posted. Once posted, corrections require manual journal entries.

### CHECKPOINT

Pre-month-end preparation complete: WIP clean, negative inventory resolved, floats cleared, material returns closed. Adjusted inventory calculation run and variance within 3% of accounting GL. Bin spot check completed with electronic signature and variance report exported.



Report	Navigation	What to Look For
<b>Approval Workspace</b>	ARC > Core > Approval Workspace	Pending approvals by department. Any request waiting more than 480 minutes signals a process gap. Export for audit evidence.
<b>Role Audit Log</b>	ARC > Settings > Roles > [Role] > Audit Log	Permission changes by date. Who made each change. Before and after values. Pull this when an auditor asks for change management evidence.
<b>3rd Party Apps</b>	ARC > Core > Data Privacy Preferences > 3rd Party Apps	Every vendor with active access. Termination dates for revoked access. Review monthly.
<b>OH Adjustment Report</b>	ARC > Parts > Reports	Adjustments with GL posting checkbox enabled vs. total adjustments. High ratio of non-GL adjustments signals a variance risk at month end.
<b>Parts Appreciation / Depreciation</b>	ARC > Parts > Reports	OEM price file updates with on-hand impact. Must be posted to accounting or excluded from the reconciliation calculation.
<b>Flagged Hours Report</b>	ARC > Reports > Flag Hours	Cross-reference against WIP Reconciliation totals. Use same date range as Pay Period Date Range. Discrepancies here explain most WIP rec variances.
<b>Physical Inventory Variance Report</b>	Parts > Physical Inventory > [Count] > Summary	Positive and negative variances by bin and part. Electronic signature confirms who closed the count and when.



## Best Practices

### ✓ **Assign approvers by role, not by individual name**

Role-based approval assignments survive staff turnover and are more defensible in an audit. A name-based rule fails silently when that person leaves.

### ✓ **Run bin spot checks throughout the month, not just at year end**

Accounting teams should validate that bin checks are being conducted. Use the Physical Inventory app to confirm frequency and completeness. The electronic signature on each closed count is your audit trail.

### ✓ **Set the GL posting checkbox on every on-hand adjustment reason**

This eliminates the manual journal entry requirement for parts adjustments and is the single highest-impact configuration change for reducing month-end parts variance.

### ✓ **Create a dedicated WIP Reconciliation journal**

Without a dedicated journal, WIP rec postings are buried in general or payroll journal activity. A separate journal makes audit review faster and variance investigation cleaner.

### ✓ **Never skip the pre-month-end cleanup before reconciling parts**

Running the calculation before clearing negative inventory, floats, and open WIP guarantees a variance. Clean data is the prerequisite, not the result.



What You See	Likely Cause	Fix
<b>Approval rules not firing as expected</b>	Conditions configured with OR logic instead of AND, or business process selected incorrectly	Review each condition in the rule. All conditions must be met simultaneously for the rule to fire.
<b>Large parts inventory variance at month end</b>	On-hand adjustments made without GL posting checkbox enabled, or floats and negative inventory not resolved before reconciling	Enable Include Adjustment Amount in GL Posting Calculation on every adjustment reason. Complete pre-month-end cleanup before running the calculation.
<b>WIP rec showing huge adjustment with no Accrued Payroll GL balance</b>	Accrued Payroll GL account not set up correctly in WIP Reconciliation Setup, or account not controlled by employee number	Verify the account in WIP Reconciliation Setup. Confirm it is controlled and employee numbers have amounts posted for the Accounting Date Range. Validate in Inquiry Tool.
<b>WIP pulling the entire month instead of the pay period</b>	Pay Period Date Range and Accounting Date Range set to the full calendar month instead of the specific payroll period	Reset both date ranges to match the exact payroll period being reconciled. This is the most common WIP rec error.

What You See	Likely Cause	Fix
<p><b>Parts reconciliation variance above 3%</b></p>	<p>Appreciation or depreciation not posted to accounting, or prepaid parts in received status not accounted for correctly</p>	<p>Run Parts Appreciation/ Depreciation report and post to GL. Review prepaid parts calculation – received prepaid parts inflate parts inventory by 2x the cost until fulfilled.</p>
<p><b>Role audit log shows unexpected permission changes</b></p>	<p>Permissions modified outside of a documented change management process</p>	<p>Identify who made the change and when using the audit log Old Values toggle. Document the business reason. Add to your next review cycle.</p>



Role	Responsibility
<b>Controller</b>	Owns approval workflow configuration. Approves Level 2 on manual journal entries and payments. Runs monthly parts inventory reconciliation. Reviews WIP reconciliation before posting.
<b>Office Manager</b>	Manages approval queue in Approval Workspace. Approves Level 1 on general journal entries. Monitors pending approvals daily.
<b>Parts Manager or Fixed Ops Director</b>	Approves on-hand adjustments above threshold. Reviews bin check completion. Validates parts receiving against outstanding invoices before month end.
<b>Service Manager or Fixed Ops Director</b>	Approves goodwill coupons and labor rate exceptions in service. Reviews flagged hours for accuracy before payroll posts.
<b>General Manager or General Sales Manager</b>	Approves used vehicle transfers between rooftops. Reviews Approval Workspace for cross-department activity.
<b>System Administrator</b>	Maintains role assignments. Reviews role audit log monthly. Confirms 3rd Party Apps list is current and termination dates are accurate.