



May 4, 2005

Mr. Don Signer  
Signer Buick DbA Signer Cadillac 118725  
39639 Balentine Dr  
Newark, CA 94560-5377

Dear Mr. Signer:

This letter documents the results of the recent Service and Warranty Administration contact conducted in your dealership's Service Department March 18, 2005 through May 4, 2005.

Representing your Dealership during the contact closing on May 4, 2005:

Don Signer

Dealer Operator

Details of the claim review follow. However, I do feel that I can summarize all of the findings and issues as a lack of close attention to detail and a failure to follow well-established policies and procedures. I feel that the lack of a service manager at your dealership is at the root cause of most of the issues found during the review. Currently your dealership does not comply with General Motors policies and procedures with respect to service management authorization. Following is the definition of service management from GM Policies and Procedures Section 1.6

**o. Service Management Approvals and Claim Authorizations**

Service management approval in the form of a signature, date and explanation, is the method of documenting the involvement and consent of dealership service management prior to the work being performed.

Dealer is to designate one person responsible and accountable for all approvals issued by service management. **Typically, this would be the service manager or service director.** When portions of responsibilities are delegated to other members of service management, those who become empowered **are to be salaried members of the service management team, responsible for supervision of employees, the performance of the service department, and the responsibility for administering the GM warranties.** Service technicians, claims administrators, **other support, or hourly personnel** are not to be empowered for these types of management approvals. All such delegation of approval is to be monitored by the service manager or director, on a routine basis, for compliance with GM Service Policies and Procedures.

Your dealership is in Warranty Observation Period 3. This generated a dealer self review packet, which was the basis for my selection of claims to review. As you can see, not every claim with a discrepancy was debited. Debiting claims was not the objective of this review. The objective was to educate you as to the issues that exist, so that corrective actions can be taken

If your dealership enters Observation Period 4, this will result a full audit led by a field warranty administrator. Should such an audit be necessary, all claims found to have issues not in compliance with GM policies and procedures, including unqualified service manager authorizations that have been previously overlooked during reviews, will be debited. Based on the number of issues found during this review of a relatively small repair order sample, a full audit chargeback could be substantial.

During the review, I spent time reviewing your Service Department's processes and internal controls and developing some recommendations for you to consider implementing. I want to share with you some of the effective Warranty Administration practices I observed, as well as those areas where there is opportunity for improvement. I have detailed my observations for you in an attachment to this letter.

As a result of the Warranty Administration review, the following deviations from General Motors Service Policies and Procedures were identified:

Devlation / Area of Concern	Potential Debit	Actual Debit
Service Manager Authorization Missing	1,420.80	557.50
EXCESSIVE Sublet/Labor	363.14	363.14
Dealer repairs listed as sublet	165.00	165.00
Shop Supplies/Parts Expediting	99.63	99.63
Complaint Cause Correction Missing	611.13	115.21
Total	2,659.70	1,300.48

Attached is a list of representative repair orders for each of the deviations, with reference to the relevant documentation, such as GM Service Policies and Procedures. These repair orders provide specific examples of the Warranty Administration concerns identified during this contact so that you and your service management can effectively take corrective action.

Because your Dealership had been made aware previously that deviations from GM Service Policies and Procedures existed, or due to the nature of the deviations, a debit will be processed for \$ 1,300.48.

To prevent these deviations in the future, it is important that your Dealership establish internal procedures to correctly authorize, document, and submit only those claims that are the responsibility of General Motors, in accordance with GM Service Policies and Procedures.

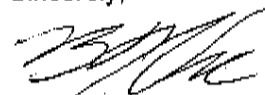
If there is additional assistance or information you feel I can provide to help resolve the areas of concern, please contact me. Currently, I am planning a follow-up contact for July 15, 2005.

Your signature below acknowledges receipt of this letter and any attachments.

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Don Signer  
Dealer Operator

Sincerely,



Brian Vieau  
Area Service Manager

Attachment

cc: Susan Keenehan  
Linda Knight

**Based on my review of your Dealership's Service Department processes and internal controls, these are areas where the Dealership is doing well:**

Assembly Repair/Replacement

Courtesy Transportation

Customer Signature

Shop Comebacks / Pyramiding

Shop Comebacks

**The following, however, are areas of concern:**

**Complaint, Cause and Correction (3C's)**

Repair Orders must adequately identify the complaint, cause of failure or reason for repair/replacement. The Service Advisor must record and confirm each customer concern during RO write-up. Vague descriptions such as "repair oil leak" or "engine stalls" are not acceptable. The technician must record cause of failure and the repairs performed. Only the technician entering the information can change the repair description. Once the RO is closed out, the technician's comments cannot be altered. Technician documentation on the hard copy is to be transferred to all other copies of the RO, along with any codes, test results, specifications, adjustments, readings or measurements. RO must contain the J42000 Midtronics tester code for tested batteries (also required as a comment on submitted claim). When repairs are performed according to bulletins or Technical Assistance, the technician must record the bulletin number or Technical Assistance case number on the RO and attach a copy of the case. Sublet invoices must also contain complaint, cause and correction. Reference: GM Service Policies and Procedures Manual, Article 1.6.2, 1.5.11a, 2005 GM Claims Processing Manual, Section II.C.2 and GM Service Bulletin 99-06-03-012

**Document Retention**

All warranty, customer pay and internal Repair Orders are to be retained for 24 months in individual vehicle history files, retained in sequence by the model year and last six positions of the VIN. The history file must also contain all supporting documents, including rental bills, tow bills, sublet bills, parts procurement (Z5000 & Z5001) invoices, Technical Assistance cases, SRTA forms, diagnostic worksheets, alignment printouts, proof of return shipment of core parts, replacement battery warranty statement and insert, etc. Supporting documents must also be cross-referenced to the RO and VIN. Reference: GM Service Policies and Procedures Manual, Articles 1.6.3a, 1.7.3, 1.5.11c, 1.5.18, 1.5.19 and GM Service Bulletin 99-00-84-021C.

**Sublet Excessive**

Sublet charges cannot exceed the net cost to Dealer or the amount a Dealer would have been paid if the work was performed by that Dealer using GM parts and published GM labor times, whichever is lower. Repairs will be reimbursed at Dealer's actual cost less any discounts or allowances. Reference: GM Service Policies and Procedures Manual, Article 1.5.8, and 12002 GM Claims Processing Manual, Section VI.

**Parts Expediting**

This procedure should only be utilized during the vehicle's warranty coverage period or for the coverage period of a GM replacement part. Labor operation Z5000 is for purchasing a part locally for same-day repairs; Z5001 is for ordering the part CSO-3 through GMSPO. These two labor operations are mutually exclusive. All records and invoices in support of the claim must be retained in the vehicle history file.

## Observations & Recommendations

Reference: GM Service Policies and Procedures Manual, Articles 1.5.19, 1.6.2p, and GM Service Bulletin 99-00-84-021C.

### **Service Management Approval**

Service Management approval in the form of a signature, date and explanation, is the method of documenting the involvement and consent of Dealership Service Management prior to the work being performed. This approval is to be noted on each appropriate line of the RO. The Dealer is to designate one person responsible and accountable for all approvals issued by Service Management. Typically, this would be the Service Manager or Service Director. Service technicians, claims administrators and other support personnel are not empowered for these types of management approvals. Authorization codes, along with the reason for issuing, the date, and signature/initials of the authorizer are to be recorded on the RO by Service Management. Reference: GM Service Policies and Procedures Manual, Article 1.6.2,o, and 2002 GM Claims Processing Manual, Section II.C.2.F.

### **Straight Time / Other Labor Hours**

If unusual circumstances are encountered in the repair process, the technician is to contact Service Management for approval prior to the work being performed. Service Management approval in the form of a signature, date and explanation is required for the technician to proceed on a straight time basis. Service Management is responsible for the reasonableness of the straight time request. Record on the RO the reason for straight time. Separate on/off time recording is required for each straight time operation including on/off time associated with diagnosis time beyond published variable diagnosis time. Technician inefficiency or lack of training is not sufficient justification for straight time. Reference: GM Service Policies and Procedures Manual, Article 1.6.2,m+o.

### **Unapproved Add-ons**

Any repair work added to the RO after initial write-up must be entered and identified on the RO using the terminology "added operation", along with the time and date. All added operations are to be verified and approved by Service Management signature on the RO prior to the work being performed and include the specific reason for the additional repair. Reference: GM Service Policies and Procedures Manual, Article 1.6.2,n.

Debit Code	CONDITION	POLICY STATEMENT	REFERENCE	RO Number	Labor Op	Potential Debit	Actual Debit
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AUTHORIZATION

AO	Complaints added to R.O. after initial customer write up ("add ons") not approved by Service Management.	Any repairs done to a vehicle that are not directly related to the initial customer complaint must be verified and approved by Service Management prior to repair. Must be documented as "added operation"	1.6.2.n	196681	N0110	198.61	0.00
						198.61	0.00
		Total AO					

A2	Claims that require review claimed without Service Management approval or approved by non-Service Management personnel.	Claims requiring Service Management approval must be approved by service management prior to start of work. Requests must be documented as follows: 1- Date and time, 2- An explanation, 3- Service Mgmt approval signature	1.6.2.o				
				195736	C4370	70.48	70.48
				195703	J3480	103.62	103.62
				196227	C3358	383.40	383.40
				195816	N6630	664.69	0.00
		Total A2				1,222.19	557.50

TOTAL AUTHORIZATION

						1,420.80	557.50
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Dev/Dbt Code	CONDITION	POLICY STATEMENT	REFERENCE	RO Number	Labor Op	Potential Debit	Actual Debit
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EXCESSIVE

EL	Dealer has received payment for labor which is not substantiated by technician time records or the repairs described. Labor Operation is mis-flagged or claim includes "overhaul", "add" or excessive times not substantiated.	Service Management is responsible for the proper administration of warranty repairs and labor times associated with those repairs. All customer pay, warranty and Internal R.O. time must be accounted for through the technician's time and payroll records.	1.6.2.k 1.6.2.l	195881	C7050	120.86	120.86
		Total EL				120.86	120.86

EN	Dealer has received Net Amount/ Sublet payment in excess of amount stated in the appropriate year Labor Time Guide/Policies and Procedures Manual.	Sublet repairs will be reimbursed at dealer's actual cost less any discounts or allowances that apply to the sublet invoice, but not to exceed the dealer's parts and/or labor allowance as if it were dealer performed.	1.5.8.c	195703 193856 195419	C7051 C6051 C7167	13.48 28.80 200.00	13.48 28.80 200.00
		Total EN				242.28	242.28

TOTAL EXCESSIVE

						363.14	363.14
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Dev/Dibt Code	CONDITION	POLICY STATEMENT	REFERENCE	RO Number	Labor Op	Potential Debit	Actual Debit
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SUBLET

N2	Dealer submitted and received payment for sublet repairs as a dealer performed repair.	Sublet repairs must not be shown on a warranty claim as a dealer performed repair.	1.5.8	196310	C6610	165.00	165.00
			Total N2			165.00	165.00
			TOTAL SUBLET			165.00	165.00

Dev/Dbt Code	CONDITION	POLICY STATEMENT	REFERENCE	RO Number	Labor Op	Potential Debit	Actual Debit
PARTS							
P8	Parts Expediting labor operations are being used to cover parts inventory shortages, or are being submitted for amounts in excess of program guidelines.	Parts Expediting labor ops are for customer satisfaction primarily during the warranty period. Dealer excess NET COST for parts procurement is reimbursed. These labor ops requires service management approval.	1.5.18	195356 194662	E9050 C0383	26.63 52.00	26.63 52.00
		Total P8				78.63	78.63
PS	General shop supplies are being charged to GM as failed parts.	General purpose cleaners, solvents, spray lubes, etc., used in certain repairs are part of the Dealers cost of operation and are not normally considered for reimbursement on warranty claims.	1.2.2.n	195417 195550 196255 196233	J3126 E9740 E9740 J3480	4.20 4.20 4.20 8.40	4.20 4.20 4.20 8.40
		Total PS				21.00	21.00
		TOTAL PARTS				99.63	99.63

Dev/Dbt Code	CONDITION	POLICY STATEMENT	REFERENCE	RO Number	Labor Op	Potential Debit	Actual Debit
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DOCUMENTATION

D6 The Dealer has been paid for a sublet repair operation or a reimbursement to sublet that does not agree with the VIN and/or customer complaint or repair description, or is missing pertinent information.

Warranty payments must be linked to a specific VIN, customer complaint and final repair information that is properly documented on the sublet invoice.

1.6.2.s

195781	C3358	75.00	0.00
196471	C2540	110.00	0.00
Total D6		185.00	0.00

D5 Technicians used general fault comments (bad, defective, broken, etc.), or coded failure descriptions that do not adequately describe the cause of failure.

The cause of failure is to be described by the technician on the R.O., including what research or diagnosis was performed. Examples-DTCs, Battery checksheet information, wiring circuit numbers, etc. Coded descriptions of repairs are not acceptable.

1.6.2.j

195454	N9995	30.21	30.21
196103	C6870	85.00	85.00
195550	E9050	310.92	0.00
Total D5		426.13	115.21

TOTAL DOCUMENTATION

611.13

115.21

GRAND TOTAL

2,659.70

1,300.48