

DEALER AUDIT READINESS CHECKLIST

Prepare for DMV or CDTFA Audit | 2025 Edition

This checklist helps you prepare for a routine DMV compliance audit or CDTFA sales-tax audit. Use it monthly to stay audit-ready year-round and ensure your dealership maintains full compliance with all California regulations.

FREE RESOURCES FROM CALIFORNIA DEALER ACADEMY

- **Dealership Setup:** CaliforniaDealerAcademy.com/set-up-california-used-car-dealer-license/
- **Compliance Training:** CaliforniaDealerAcademy.com/courses/renewal/
- **Additional Resources:** CaliforniaDealerAcademy.com/playbook/resources/

RECORDS ORGANIZATION & STORAGE

- Deal jackets organized by date or VIN (4-year retention minimum)
- Separate physical binder for current month's transactions
- Digital backup of all records (stored off-site or cloud)
- Records stored in secure, locked filing cabinet
- Records clearly labeled and indexed
- Easy access during posted business hours
- Method documented for how to retrieve records (explain to auditor)

DEAL JACKET CONTENTS (Verify Each One Contains)

For each vehicle sale, your deal jacket must include:

- Buyer's order / sales contract (signed and dated)
- Bill of sale
- Title and registration copy
- Odometer disclosure form (signed by seller and buyer)
- Proof of identity check for buyer
- Financing or payment terms agreement (if applicable)
- All customer disclosures and notices required by law
- Warranty (or as-is) documentation
- Emission test results (if required)
- Service contract documentation (if sold)
- Any trade-in paperwork
- Transaction completion date and delivery notes

REPORTS OF SALE (ROS) COMPLIANCE

- ROS filed within 5 days of each vehicle sale
- ROS database printout available (last 3 years)
- Verify ROS matches deal jacket information:
- VIN correct on both ROS and title
- Buyer name matches on both documents
- Sale date is accurate
- Sale price is documented
- No ROS with blank fields or corrections
- ROS dates do not exceed 5-day deadline
- Electronic filing records available

SALES TAX COMPLIANCE (CDTFA)

- Seller's Permit is current and active
- Sales-tax returns filed on schedule (monthly or quarterly)
- No late filings or missing returns
- Sales tax calculated correctly for your jurisdiction
- Tax payments submitted and received by CDTFA
- All vehicle sales reported on tax returns
- No discrepancies between ROS and tax filings
- Tax return copies on file (4 years minimum)
- Payment receipts available for all tax submissions

DEALER PLATE LOG & VEHICLE INVENTORY

- Current list of all assigned dealer plates
- Each plate assigned to a specific dealership vehicle
- Log shows:
 - Plate number
 - Vehicle VIN or license plate
 - Date issued
 - Authorized users (owners/employees only)
 - Documentation of intended use (test drive, transport, demo)
 - No personal use vehicles listed
 - No loans or transfers to third parties
 - Plate usage monitored and documented monthly

ADVERTISING & MARKETING COMPLIANCE

- All ads display dealer license number prominently
- Business name in ads matches your license exactly
- No misleading terms or false promises
- Pricing is accurate and current
- Finance terms (if advertised) are accurate
- Required disclosures are present
- Copies of all ads kept on file (12 months minimum)
- Print ads (newspapers, flyers, signage)
- Digital ads (website, social media, email)
- Video ads (YouTube, Facebook, TikTok, etc.)
- Sold vehicles removed from inventory listings promptly
- No complaints or violations on record

BOND & INSURANCE DOCUMENTATION

- Current \$50,000 dealer bond (\$10,000 for motorcycle)
- Bond copy shows business name exactly as licensed
- Bond is active and has not been claimed
- Bond renewal is scheduled before expiration
- Proof of garage liability insurance (1M/2M coverage)
- Proof of garage keepers liability coverage
- Proof of dealer plate coverage
- Proof of inventory coverage (if applicable)
- Insurance policies show business name matching license
- No coverage lapses or gaps
- Coverage verification document from provider

BUSINESS LOCATION & SIGNAGE

- Permanent, professional signage is installed
- Signage displays business name exactly as licensed
- Sign is visible from public street
- Sign is well-maintained and readable
- Posted business hours are displayed at entrance
- Posted hours match DMV application
- Hours are accurate and current (update if changed)
- Dealer license certificate or copy posted in office/window
- Office is functional with desk, chair, filing cabinet
- Display area (if applicable) is clean and organized
- Lighting is adequate (including evening visibility)
- Business is accessible during posted hours

OWNER & OFFICER INFORMATION

- List of all owners and officers
- Name, address, and contact info for each
- Ownership percentages or roles documented
- All owners have completed Live Scan (background check)
- No criminal convictions or disqualifying history
- Ownership has not changed (if changed, notify DMV immediately)
- Officer signing authority is clear and documented

BUSINESS ENTITY COMPLIANCE

- Entity is current with California Secretary of State
- Annual Statement of Information filed (if LLC or Corp)
- Annual franchise tax paid (\$800 minimum)
- Registered agent is on file and current
- Business address on file matches operating location
- Operating agreement or bylaws on file
- No dissolution notices or compliance issues
- DBA registered with county (if operating under different name)

VEHICLE TITLE & REGISTRATION

- All titles properly transferred to buyer within 30 days
- Registration paperwork submitted to DMV on time
- No backlog of pending title transfers
- Title copies kept for 4 years
- VINs verified on all titles
- Seller signatures obtained and verified
- No discrepancies between ROS and title paperwork

EMPLOYEE RECORDS

- Training documentation for all employees on:
 - Dealer plate usage rules
 - Record-keeping requirements
 - Advertising compliance
 - Customer service standards
- Employee names and dates of employment
- Plate user list (authorized drivers)
- No unauthorized plate usage documented
- Sales records for each salesperson
- Workers' compensation coverage (if employees)

COMMUNICATION & CUSTOMER FILES

- Customer correspondence (emails, letters, texts) retained
- Complaint log (if any) documenting resolution
- Customer satisfaction feedback or surveys
- Transaction disputes and resolutions documented
- Refund or return policy documented
- No pending customer complaints with DMV
- Warranty or service claim records

FINANCIAL RECORDS

- Bank account statements (separate business account)
- Monthly reconciliation of sales to deposits
- Invoice copies and payment records
- Expense documentation
- Payroll records (if applicable)
- Tax returns (last 3 years)
- Accounting ledgers or books

SELF-AUDIT CHECKLIST (Conduct Monthly)

- Random selection: pull 5 deal jackets from last month
- For each, verify:
 - All required documents present
 - VIN matches on deal jacket and ROS
 - Buyer name matches on deal jacket and ROS
 - Sale date is consistent
 - ROS was filed within 5 days
 - Title was submitted within 30 days
- Review last month's advertising for compliance
- Verify dealer plate log is current
- Confirm bond and insurance are active
- Check signage is intact and readable
- Verify no customer complaints or DMV notices received

SAMPLE DOCUMENTS TO ORGANIZE & PRESENT

Prepare a binder organized by category with:

- DMV License (current and previous years)
- Bond & Insurance (current and renewal notices)
- Entity Documents (Articles, DBA, Statement of Info)
- Sample Deal Jackets (5 from various dates)
- ROS Printout (last 12 months)
- Sales-Tax Returns (last 3 quarters/years)
- Business Address & Zoning (lease, zoning approval)
- Signage Photos (current, showing business name)
- Posted Hours Documentation
- Advertising Samples (print and digital, with dates)
- Employee Records (training, plate log)
- Owner/Officer Information

PRIOR TO AUDIT INSPECTION

24 HOURS BEFORE:

- Clean office and display area
- Ensure business is open during posted hours
- Review your organization plan with staff
- Prepare binder with key documents
- Brief management on process

DAY OF INSPECTION:

- Greet auditor professionally
- Offer tour of office and display area
- Provide organized document binder
- Answer questions honestly and thoroughly
- Take notes on auditor's observations
- Request clarification if any finding is unclear
- Keep auditor contact information

AFTER INSPECTION:

- Request written summary of findings
- Review any "Notice of Correction" carefully
- Address all corrections within deadline stated
- Document proof of correction
- Submit proof to auditor or via DMV portal
- Follow up in writing to confirm closure

COMMON AUDIT RED FLAGS TO AVOID

- ✗ Missing deal jackets or incomplete documentation
- ✗ ROS filed late (more than 5 days after sale)
- ✗ Titles not submitted within 30 days
- ✗ Sales-tax discrepancies (ROS vs. tax returns)
- ✗ Dealer plates used for personal transportation
- ✗ Advertising without dealer license number
- ✗ Inconsistent business names across documents
- ✗ Bond or insurance lapsed or expired
- ✗ Signage unreadable, temporary, or missing
- ✗ Office not functional or records not accessible
- ✗ Customer complaints on record
- ✗ No evidence of record retention system

AUDIT SURVIVAL TIPS

- ✓ Be proactive: conduct monthly self-audits
- ✓ Stay organized: invest in filing systems
- ✓ Keep backups: digital + physical copies of all records
- ✓ Train employees: on compliance requirements
- ✓ Communicate: respond to DMV and CDTFA promptly
- ✓ Document everything: save all correspondence
- ✓ Plan ahead: set renewal reminders for bond/insurance
- ✓ Stay current: complete continuing education on time
- ✓ Monitor compliance: review ads and plate usage monthly
- ✓ Ask for help: consult compliance partner if unsure

IMPORTANT CONTACTS

DMV Occupational Licensing Portal: <https://ol.dmv.ca.gov>

DMV Phone: 1-888-406-1515

CDTFA (Sales Tax Audit): <https://cdtfa.ca.gov>

California Dealer Academy:

- Setup Guide: CaliforniaDealerAcademy.com/set-up-california-used-car-dealer-license/
- Compliance Training: CaliforniaDealerAcademy.com/courses/renewal/
- Resources: CaliforniaDealerAcademy.com/playbook/resources/

DISCLAIMER: This checklist is for educational purposes only and reflects professional experience in California dealer licensing and audits. It is not legal, financial, or tax advice. Always verify current audit requirements with the California DMV Occupational Licensing Division and CDTFA.

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