Vero Technologies

RISK MANAGEMENT · POINT OF VIEW

Auditing less, safely

Physical audits verify a moment. Risk moves between them. This is how continuous signals close that gap, and what has to be true before a lender can responsibly reduce how often it sends someone to the lot.

TOPIC	AUDIENCE	READ TIME
Collateral risk	Risk and operations leaders	About 12 minutes

No single data source tells the truth about a dealer

A physical audit is a photograph. It tells you what was on the lot on the day someone stood in it. The question that matters is what happened in the eighty-nine days after.

Dealers under pressure can delay reporting sold units, shift inventory timing, draw against the same collateral twice, or let operational problems build quietly before they reach a credit metric. None of that is visible in a quarterly photograph. All of it is visible in the traffic between photographs, if anyone is reading it.

That is why the useful control is not a better audit. It is a set of overlapping controls that disagree with each other when something is wrong. One source can be managed. Keeping several aligned while the underlying activity is improper is much harder.

Three sources, one dealer, one week

AUDIT SAYS	DMS SAYS	BANK SAYS
Unit physically on the lot, unverified two audits running.	No sold units reported for eleven days on a weekly cadence.	Deposits up materially over the same period.

Read alone, each is unremarkable. A unit sits. Reporting lags. Deposits rise. Read together, they describe a dealer selling units and not reporting them, and they describe it in days rather than than at the next site visit.

The goal is not better visibility. The goal is earlier intervention.

The argument, stated directly

Audit frequency is a proxy. What a lender wants is confidence that collateral exists and the dealer is behaving as expected. Physical audits buy that confidence, and are the most expensive way to buy it.

A quarterly cadence buys four days of certainty a year and eighty-six days of assumption per quarter. The assumption is usually fine. When it is not, the lender learns late, and lateness converts a manageable problem into a loss.

What has to be true before you audit less

Reducing physical frequency is only defensible when something else is carrying the gap. Three conditions, in order:

01 The gap is continuously covered

Between audits, the lender is receiving and reading independent signals: inventory and sold-unit activity from the dealer's own systems, cash movement, financial and compliance condition, and audit history itself. Coverage is continuous, not a second sampling exercise on a different calendar.

02 Disagreement raises an alert, not a report

Signals are read against lender-set tolerances and against the dealer's own baseline. When sources contradict each other, the system produces an owned alert with a deadline, not a line in a monthly pack that someone may read.

03 Frequency follows risk, not the calendar

Audit cadence becomes an output of the risk picture rather than an input to it. Dealers whose signals are clean and consistent earn a longer interval. Dealers whose signals drift earn a shorter one, or a visit this week.

Where those three hold, a lower physical cadence is a reallocation of control rather than a reduction in it. Where they do not hold, reducing frequency is simply auditing less.

> **THE HONEST VERSION**
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> Continuous monitoring does not replace physical verification. Someone still has to confirm a unit exists and a VIN matches. What changes is how often that must happen everywhere.

Eight overlapping controls

Five source categories feed the platform. Two layers of logic read them in context. One workflow makes sure something happens next.

#	CONTROL	WHAT IT WATCHES	STAGE
01	**Audit and reconciliation**	Audit codes, photos, geotags, timestamps and item-level history from major providers. Flags off behaviour such as a unit unverified in consecutive audits.	Signal
02	**DMS and reported sales**	Live inventory, sold units and funded units, compared against expected sales cadence and turnover.	Signal
03	**Cash flow and bank activity**	Deposits, balance changes, and mismatches between bank activity and dealer-reported sales.	Signal
04	**Financial and credit condition**	Spreading output published into the same risk environment as floor plan data, with alerts on declining cash or weakening revenue.	Signal
05	**Compliance and documentation**	Insurance, UCC filings and licences, with alerts as expirations approach and workflows for upload and approval.	Signal
06	**Trend and behavioural analytics**	Week-by-week units floored, paid off, inventory aging, balances and upcoming payments. Risk shows up first as behavioural drift.	Detection
07	**Templates and cohorts**	Tolerances such as units over 60 or 90 days, assigned to dealer groups and monitored by region, account manager or line size.	Detection
08	**Workflow-driven follow-up**	Assign the alert, update risk details, create tasks, communicate, escalate or freeze the account, with an auditable history of who did what and when.	Action

Controls 01 to 05 are independent of one another by design. That independence is the whole mechanism: a dealer managing appearances in one system has to manage them in all five simultaneously, and keep them consistent, for as long as the behaviour continues.

What a real case shows about the gap

In March 2026, court filings described a dealer group, Sky Auto Mall, that had double-floored 81 vehicles across more than one lender, leaving over $1.2 million out of trust.

The detail worth sitting with is not the size. It is the discovery method. The pattern was not surfaced by an audit program. It was surfaced when two captive finance companies compared records against each other and found the same collateral pledged twice.

That is a structural point, not a product one. A single-lender audit program, however well run, is calibrated to answer a single-lender question: is this unit on this lot. It is not built to answer the question that mattered here, which was whether this unit was already financed somewhere else. Eighty-one vehicles is not a control failure at one moment. It is a pattern that ran long enough to reach eighty-one.

> **READ THIS CAREFULLY**
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> No claim is made here that any particular system, including ours, would have prevented this. Cross-lender double-flooring is a hard problem and the industry has not solved it. The case is included because it demonstrates the shape of the gap: point-in-time verification inside one lender did not see a pattern that ran across several, over months.

What it implies for a single lender

- **Frequency alone would not have fixed it.** Auditing twice as often produces twice as many photographs of a lot that looks correct.
- **Behavioural drift was the earlier signal.** Payoff timing, reporting cadence and cash movement move before a physical count does.
- **Aging and non-verification are cheap tells.** A unit unverified across consecutive audits, or aging past a dealer's own norm, costs nothing to monitor and is hard to sustain innocently.

Detection is only half of it

An alert nobody owns is a report. The value is in what happens in the five days after a signal disagrees with another signal.

STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
Alert raised	Assigned to an owner	Tasks and communications	Escalate or freeze	Auditable history retained

The auditable history matters as much as the alert. When an examiner or a credit committee asks why a dealer's audit interval was extended, the answer cannot be a preference. It has to be a record: these signals were monitored, these tolerances applied, this is what the system saw, this is who reviewed it and when.

How to change your audit calendar without weakening it

01 **Tier your dealers on evidence you already hold**

Aging, payoff behaviour, reporting consistency and audit history are usually available before any new system is bought. Rank the book on them.

02 **Hold frequency constant while you instrument**

Run continuous signals alongside the existing calendar for a period. You are testing whether the signals would have flagged what the audits found, and what else they flag.

03 **Extend intervals only where signals are clean, and write down why**

Move the top tier first, one step, with the evidence recorded. Keep the shortened interval available for any dealer whose signals drift.

04 **Spend the recovered capacity on the bottom tier**

The point is not fewer audits. It is the same audit budget aimed at the dealers where a physical visit actually changes the risk.

Want to see what your own signals would say?

Bring one dealer cohort and your current audit calendar. We will walk through which continuous signals are available against your existing data, what they would have surfaced, and what a defensible tiering looks like. Thirty minutes, no slides.

Book a workflow teardown

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