

VWoA Compliance

From: Audi Communications <audicomms@audi.com>
Sent: Tuesday, September 28, 2021 4:01 PM
To: VWoA Compliance
Subject: Dealer Communication: Vehicle Sales Reporting, Reinstatement, and Audit Policy Update – Effective September 30, 2021



Dealer Communication

To: DP, GM, Sales
From: Audi Operations

Vehicle Sales Reporting, Reinstatement, and Audit Policy Update – Effective September 30, 2021

Dear Audi Dealer Principals, General Managers and Sales Managers,

This communication contains the updated Audi of America (AoA) Vehicle Sales Reporting, Reinstatement, and Audit Policy. These policies and processes ensure the accuracy of customer data and overall integrity of sales reporting records. Furthermore, these processes are in compliance with established Audi global reporting standards.

1. SALES REPORTING REQUIREMENTS

1.1. Prior to delivering any new or Certified pre-owned Audi vehicles to customers and subsequently reporting them as sold, Dealers **must** close 100% of applicable recalls, campaigns, and Required Vehicle Updates (RVUs).

1.2. No one, including the Dealer, may report a new vehicle as Sold unless it is first reflected as Status 50 (Dealer Stock) in OMD Web.

1.2.1. Any new vehicle that is reported as Sold from Status 35 will be reinstated by Audi of America and can only be reported once it reaches Status 50.

1.2.2. Should the dealer have a new vehicle in their possession that is not accurately reflected as Status 50 (Dealer Stock) in OMD Web, dealer must submit a picture of the VIN for the car, the Monroney label along with the bill of lading to ADS@audi.com.

1.3. The vehicle "Sale Date" is defined as the date of delivery or handover of the vehicle to the end customer; compliant with the Audi DtC (Delivery to Customer) process.

1.3.1. The delivery or handover of the vehicle to a customer cannot occur while the vehicle is in offsite storage, NORAD or otherwise, and therefore the vehicle sale cannot be reported during this disposition.

1.3.1.1. Reported vehicle sales found to have violated this requirement will be reinstated, with all program related implications therein **and other potential consequences**.

1.3.1.2. Upon presentation of documentation to AoA evidencing the actual date of delivery/handover to the customer, dealer must report the sale utilizing the correct date.

1.4. Dealerships are required to report (i.e. enter "Reported Date" in OMD Web) all new, Certified pre-owned and pre-owned Audi vehicle sales within three (3) business days following of the date of sale

(Sale Date), as stated in the Audi Dealer Operating Standards Guide (last published February 2021; page 6, Section 1.8 “Sales Reporting”).

1.5. In regard to Exports, the Audi Dealer Agreement Standard Provisions under Section 5.3, Sales Outside Area, dictates that an Audi Dealer is “authorized to sell new Authorized Products only in the 50 United States (and Puerto Rico), and is not authorized to, and agrees it will not, sell any new Authorized Product for sale or use elsewhere.”

2. INCENTIVE ELIGIBILITY RULES

2.1. Dealership sales reporting to AoA must be consistent with the title and registration filings, including the date of sale.

2.2. A vehicle with a “Sale Date” and “Reported Date” not within the same monthly sales period is not eligible for payment of retail incentives (ex. National Loyalty, Conquest, Marketing Allowances, etc.)

2.3. A vehicle with a “Sale Date” and “Reported Date” not within the same monthly sales period is not eligible for Dealership Bonus programs (i.e. Margin Bonus).

3. KIND OF SALE (KOS) TYPES

When reporting vehicle sales in OMD Web, please enter the appropriate Kind of Sale (KOS) type into the system as defined in the matrix below. KOS types are defined below by customer group, eligibility for quarterly sales bonus achievement (Dealer “counter”) and Dealership Bonus payment (Dealer Bonus “payer”).

KOS	KOS Group	Customer Group	Reporting Process	Dealer "count er"?	Dealer Bonus "payer"?
0	Retail - Individual	- Individual retail customers, including Affinity, Friends & Family, VIP Customers and AoA/VWGoA contract employee program sales	Reported by dealership as "KOS 0"	YES	YES
2	Retail - Business	- Individual business customers, including Dealer Small Fleet Incentive program sales and VIP Customers	Reported by dealership as "KOS 2"	YES	YES
3	Retail - No Bonus	- Dealer employees participating in the Dealership Employee Purchase Program (AFS DEPP)	Reported by dealership as "KOS 3"	YES	NO
4	Demonstrator vehicles, Dealership Courtesy vehicles, MY21 Courtesy Vehicle Purchase, Common Ownership vehicles, Total Loss vehicles	- Demonstrator vehicles titled and registered in the dealership's DBA - Dealership Courtesy vehicles included in the AFS Courtesy Lease programs - Dealership Courtesy vehicles not included in AFS Courtesy Lease programs, including rental car company sales for this purpose - Dealership Courtesy vehicles enrolled in the Courtesy Vehicle Purchase Program by dealers in CO, MD, OK, SC, TX, VA, VT and Puerto Rico and subsequently retailed to a consumer - Common Ownership vehicles (i.e., any sales to Audi dealers, an entity owned in full or in part by an Audi dealer or its owners) - Total Loss vehicles defined as dealer inventory vehicles deemed a total loss by the dealer's insurance company and sold to the dealer's insurance company as evidenced by the transfer of the vehicle title/MCO	Reported by AoA* as "KOS 4"	NO ¹	NO
5	AoA Direct Sale	- AoA Fleet customers	Reported by AoA* as "KOS 5"	N/A	N/A
6	Audi Certified pre-owned	- CPO customers	Reported by dealership as "KOS 6"	N/A	N/A
7	Audi pre-owned	- Non-CPO used vehicle customers	Reported by dealership as "KOS 7"	N/A	N/A

*Per Audi DtC guidelines, vehicles reported by AoA occur in the month where vehicle is wholesaled; Warranty becomes active at time of wholesale

4. SAFETY RECALLS, COMPLIANCE RECALLS and STOP SALES

It is imperative that accurate customer information is collected and accurately entered during the sales reporting process. The reported sale record must match the title and registration record, and any owner/lessee/driver information must be correct. The accuracy of the customer information collected is vital to any efforts related to recalls campaigns and Required Vehicle Updates (RVUs).

In the event of a recall or stop sale notification, dealers must confirm a vehicle's eligibility by entering the VIN in either the [Recall / Service Campaign Lookup tool](#) found on audiusa.com, or the [National Highway Traffic Safety Administration \(NHTSA\) Safety Issues & Recalls search tool](#). Please note it is a violation of

Federal law for a dealer to deliver a new motor vehicle covered by a Recall Notification under a sale or lease until the defect or noncompliance is remedied. Additionally, a dealer must not deliver any Audi Certified Pre-owned vehicle affected by or subject to an open recall campaign. When any doubt exists with respect to a vehicle's status under an open safety or compliance recall campaign, dealer must utilize one of the aforementioned look-up/search tools to clarify the impact and should maintain a hard copy of the output on-site.

5. SALE REINSTATEMENT POLICY

5.1. From time to time circumstances will arise that will require a vehicle sale to be reversed or information related to the sale to be updated. The reinstatement of a vehicle sale must occur in the following circumstances:

- Sales transaction between the dealership and customer is not successfully completed and dealership returns the vehicle into their inventory
- Changes between retail and non-retail KOS code (i.e. KOS 0,2, or 3 to KOS 4 or 5, or vice versa)
- Any change to the reported sale date
- All reinstatements must be completed within sixty (60) days of the reported sale date
 - Reinstatements outside this threshold must be submitted with documentation to the dealer's Audi Area team for review and escalation
 - Based on the timing of a reinstatement, the impact in relation to incentive and Margin Bonus payments should be evaluated.

5.2. Changes may still occur to the sale record that will not result in a reinstatement:

- Any changes to only the customer information record (including customer, owner, driver name, and address)
- Any changes to the reported incentive program or special incentive program codes

5.3 Only the Audi Incentive Services Desk team is authorized to execute reinstatement requests. This policy requires the following process to be completed:

- An Audi Dealer submits reinstatement requests via the [Audi Incentive Claims portal](#).
- This online portal allows users to reinstate vehicles, change KOS types, input customer information changes, and track the history of their requests.
- Upon successful review and completion of the reinstatement request, the Audi Incentive Service Desk team updates the reinstatement history in the Audi Incentives Claim Portal for viewing.
- Dealerships must include a copy of the signed sales agreement when requesting a reinstatement or sale data change

6. NEW VEHICLE SALES AUDIT and CHARGEBACK POLICY

6.1. Timing

- Audits will be performed on a quarterly basis, and will focus on a full quarter of sales activity
- Audits will occur within 6 months (or 2 quarters) after the end of the quarter (example: 1st quarter audit will occur no later than the 3rd quarter of the same calendar year)
- Vehicle VINs reported sold but never delivered or handed over to a customer will be reinstated.

6.2. Data collection and matching

- The audit process will focus on new vehicles sales reported in OMD Web within the quarter that is being audited
- Identifying "Exported" Vehicles - New vehicle sales data for the audit period will be collected and matched against the Piers Data to identify which vehicles have been exported
 - An updated "Known Exporter Lists" is published monthly on iAudi for dealers to reference.
- Identifying "No Title and Registration" Vehicles - New vehicle sales data for the audit period will be collected and matched against IHS Markit data to identify which vehicles are missing title and registration information
- Identifying "No Match" Vehicles - New vehicle sales data for the audit period will be collected and matched against IHS Markit data to identify which vehicles have mismatched title and registration name and address information
- Identifying discrepancies in the timing of sales reporting in relation to items 1.2 and 1.3 in the Sales Reporting Requirements section of this document

6.3. Dealer communication and tools

- Once the above review is complete, a letter will be sent to the Dealer Principal/General Manager of record for each dealer impacted to:
 - Explain the preliminary results of the audit
 - Direct the dealer to visit iAudi where a “Summary Report” will be found showing VINs identified in the audit, the impacted programs and the potential resulting dealer chargebacks
 - Provide guidance on how to appeal vehicles the dealer believes may have been incorrectly identified in the audit

6.4. Appeal process and supporting paperwork (Except as otherwise provided by state law)

The results of the audit will produce two different populations of vehicles: one group that has been identified as “exported” and a second group of vehicles that has missing or mismatched title and registration data (“no title or registration” and “no matches”)

- Appeal process for “No Title and Registration” and “No Matches” – Dealers will have thirty days (30) from receipt of the audit letter to appeal any VINs they believe were incorrectly identified. Dealers must submit, following the appeal instructions detailed in the dealer audit letter, at least one of the following documents as proof that the vehicle was titled and registered correctly
 - Paid receipt of title transfer
 - Paid receipt of registration transfer
 - Copy of the vehicles current title or registration
 - Customer’s insurance documents supporting a Total Loss situation
 - Foreign diplomat paperwork
- Appeal process for “Exports” - Dealers will have thirty days (30) from receipt of the audit letter to appeal any VINs they believe were incorrectly identified. The dealer can appeal VINs identified as exported with at least one of the following supporting documents:
 - Copy of vehicle title or registration
 - Copy of vehicle sales documents
 - Copy of payment for sales tax
 - Purchaser’s or lessee’s name cannot be listed on the “Known Exporter List” published on iAudi the date of the transaction.
 - Purchaser’s or lessee’s name must match on all documentation for the sale or lease

6.5. Chargebacks (Except as otherwise provided by state law)

- After the thirty (30) day appeal period has expired and where the dealer has not successfully appealed the audit decision, the dealer will be charged back for any VINs still identified in the audit as an Export, No Title and Registration, or No Match.
- All chargebacks will be debited against the dealer’s parts statement.
- Impacted dealers will be charged back for any funds they received from the following programs:
 - Any Retail incentive program
 - Any Marketing Allowance incentive payments
 - Any Business Performance Bonus or Margin Bonus payments
 - Any Regional-based incentive which was paid

The quality of customer data is critical to the management of our collective businesses. Accurate and timely sales reporting will ensure the integrity of our records, the timely extension of benefits to customers, optimization of dealer program administration and compliance with established Audi global reporting standards.

Audi of America will enforce the Vehicle Sales Reporting, Reinstatement, and Audit Policy outlined above. All vehicle sales reported incorrectly will be adjusted, and any corresponding dealer bonus or incentive payment changes will be processed accordingly. Any changes or updates to these policies will be outlined in future communications.

Sincerely,



Thiemo Rusch
SVP, Sales Operations
Audi of America, Inc.

For more dealer communications, visit the [Communications](#) page on iAudi.

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