

Carousel Epistles V

2023

These are memos that I have written over the years to all my clients.
I thought that I should package the important and still relevant ones into one place.
This is that place.
The memos are listed newest to oldest.
For memos dated before 2023, please see Carousel Epistles I, II, III, and IV.

Here are the titles of the documents to be found below.

12/20/23 – Out of State Sales	<u>3</u>
11/8/23 – Unused Warranty Time	<u>5</u>
11/8/23 – Carousel – Mailing Addresses	<u>8</u>
11/2/23 – WSIADA Spokane meeting Nov 23	<u>9</u>
11/2/23 – More on the FTC Safeguards Rule	<u>12</u>
8/29/23 – Quickquote limit bug	<u>15</u>
7/21/23 – Green Vehicles	<u>16</u>
5/29/23 – Carousel Version 2.012	<u>17</u>
4/18/23 – 4/27/2023 – California Emissions Form	<u>19</u>
From WSIADA -- 4/21/23	<u>19</u>
4/27/23	<u>20</u>
4/28/23	<u>21</u>
WSIADA meeting, April 11 2023	<u>22</u>
CHANGES AT WSIADA	<u>22</u>
LEGISLATIVE NEWS	<u>23</u>
HB 1790	<u>23</u>
Presentations about Licensing	<u>25</u>
Data Security Presentation by ATTM Technology	<u>26</u>
4/10/23 – Data Security (Part IV)	<u>28</u>
Safeguards Rule, commonly known as Data Security	<u>29</u>
What carousel will provide for Data Security	<u>31</u>
What the Dealerships Need to Do	<u>33</u>
Option 1 – Rolls Royce – ATTM	<u>33</u>

Option 2 – Buick – use a local IT provider	<u>34</u>
Option 3 – Fiat – What you can do on your own	<u>36</u>
Option 4 – Yugo – do nothing.	<u>37</u>
Summary	<u>38</u>
 1/30/23 – W11 and networking	<u>39</u>
How to Disable Windows Protected File Sharing in Windows 10	<u>39</u>

12/20/23 – Out of State Sales

One of my dealers got audited this week.

The auditors were looking at his out of state sales.

Specifically, they were looking for two things on the Seller's Certificate of In State Delivery:

1) that there was a trip permit or an out of state license plate for the vehicle

2) that something in Column A (2nd piece of identification) was checked.

On the first issue, WSIADA has had a lot of discussion on just how a vehicle, picked up in Washington, is supposed to get to the state line.

You can't use your dealer license plate, once the car is sold.

You can't drive the vehicle to the state line and sign the paperwork there (I think).

They can't drive the car in Washington, once the car is sold.

You can't do a 45 day permit for a vehicle being sold out of state.

There appear to be only two options:

a) transport the vehicle out of state with the proper transport license

b) a 3 day trip permit (\$25).

On the second issue, a driver's license alone does not do the job.

You need a credit report, property tax statement, utility bill, etc in addition to the driver's license.

In the case that such a document is not in your files, the auditor is stating that **the dealership has to come up with the full Washington state sales tax for the vehicle**, which a vehicle being bought out of state normally would not have to pay.

That last one would probably hurt a little.

I don't know how many other dealerships request that second item of ID.

I suspect even fewer dealerships do a trip permit.

So far, the dealer investigator, if there even is one in this area any more, has not got involved.

This is a financial problem "only".

So you might want to check your files that you do have

i) Seller Certificate of In State Delivery form

ii) two forms of ID

iii) trip permit or license plate number of the vehicle

iv) Buyer Certificate of In State Delivery

for all the out of state sold vehicles you have done in the last 5 or so years.

(The state requires that these documents be available for five years. Or seven. More than two.)

Carousel has the form in our database to print the Seller's Certificate of In State Delivery (form

80126).

If you are actually delivering the vehicle out of state, there is a different form (80124) for that too.

Note that there are corresponding forms for the Buyer to fill out and sign (80125,80123), and Carousel has those forms also.

Note that Carousel will ask if you have a trip permit and print the trip permit number on the form.

Its number can be entered in the Complete tab of the Deal program.

Carousel will automatically print the Driver's License number if you entered it in the customer input form.

If the customer is going to use their existing Idaho plates, there is a popup to gather this information.

We do not gather the checkmark information for Column A (2nd piece of ID) since you can just manually check off which of those you have.

But I will probably add this feature the the form, now that this is such a big deal.

11/8/23 – Unused Warranty Time

The October WSIADA Front Row newsletter had the following statement, which I had never heard about:

Used Car Buyers Guide Disclosure

The FTC Used Car Rule is very specific about the language that must be used to properly disclose any remaining warranty. Most dealers have a solid process to properly make this disclosure. For example, the Used Car Rule says that using shorthand terms such as factory warranty remaining is not a sufficient disclosure. The vendors who manage the buyers guide process for dealers generally have the correct, safe-harbor language.

The process falls apart when a used vehicle is sold before the vendor has an opportunity to put a correct buyers guide on the vehicle. Sometimes it falls apart when the salesperson gets lazy and handwrites a buyers guide instead of taking the guide off of the vehicle or printing one from the dealers software. Going the shortcut route thinking you are saving time leads to non-compliance with a federal law

Actually, I had never really heard about the FTC New Car Rule. (I never took the WSIADA course for new dealers, since, well, I am not, never have been, and never will be a dealer...) It can be found at

<https://www.ftc.gov/business-guidance/resources/dealers-guide-used-car-rule#warranty>
And is actually not that bad to read.

Which brings us to the above statement. Here is the section of the FTC Dealer's Guide that seems relevant to this topic:

What if the Manufacturer's Warranty Still Applies?

If the manufacturer's warranty hasn't expired, you may disclose this fact by checking the box, "MANUFACTURER'S WARRANTY STILL APPLIES. The manufacturer's original warranty has not expired on some components of the vehicle in the Non-Dealer Warranties for this Vehicle section of the Buyers Guide.

If the consumer must pay to get coverage under the manufacturer's warranty, you may not check the "Warranty" box. Such coverage is considered a service contract. However, you may check the "Warranty" box if you pay for coverage from the manufacturer and the consumer doesn't have to pay anything more than the price of the vehicle to get the coverage. If you provide a warranty in addition to the unexpired manufacturer's warranty, explain the terms of your warranty on the Buyers Guide.

So, I asked WSIADA for guidance on this, but sadly, I did not understand the answer.

WSIADA's answer is as follows:

Washington State is Implied warranty state. It means a customer comes onto the lot with an idea of a warranty of some type and dealers have to explicitly negotiate with the customer during the transaction process whether there is a warranty or not with the vehicle. Explicit negotiation means no pre-printed statements, has to be in handwriting. Simply having a warranty check box selected on the As-Is Buyers guide will not satisfy this requirement.

So, I have to just present what the FTC has said, and what WSIADA has said, and I am probably not qualified to offer better advice.

- 1) Do you need to use the Implied Warranty or AS IS version of the Buyer's Guide? I don't know. Both forms have this box.
 - 2) Do you need to check the Big Box on these forms when there is a warranty left on the vehicle? I don't know. It does not seem to me that, on the Implied Warranty version of the form, that either box would apply if you are going to check the Manufacturer's Warranty box, but what do I know?
 - 3) Do you need to check the small box "Manufacturer's Warranty Still Applies"? At least there, we have a definitive statement of yes.
- Carousel allows you to do this when printing a Buyer's Guide. You always get a pop up with a bunch of options that nobody ever looks at, least of all me. One of those options is the Manufacturer's Warranty. Put an X in that box, and the printout will X that box on the form.
- 4) Does Carousel have "the correct, safe-harbor language" mentioned in the WSIADA article? We do not, and I have no clue where to get it. Or where to put it even if we had it.
 - 5) Where would you do the hand writing that WSIADA's response states you need? I have no idea. There is an Implied Warranty and a Disclaimer of Warranties form supplied by WSIADA, and a combined form supplied by Carousel. Both of these forms do have a place to hand write the results of the "customer negotiation" process. But I always presumed those forms to be related to blowing off a warranty entirely, rather than the question at hand -- what do you do when the vehicle you are selling still has factory warranty left on it?

As mentioned above, the popup that you get when you print these forms allows you to check any box, and to enter text in both the Systems Covered and Duration memo fields. I don't know if

these fields are the place where you would enter (by hand) the results of customer negotiations.

So, it is up to you to figure all this out, if you have not done so already. If somebody has better words of wisdom to share with me on this subject, drop a dime and give me a ring. Most of my clients have been in their business a whole lot longer than I have in mine, so you all might already be doing all this correctly. At least, nobody to my knowledge seems to be in jail for bad form processing.

11/8/23 – Carousel – Mailing Addresses

When Carousel first started, twenty years ago, for some reason I thought that everybody with a separate mailing address would have a PO Box.

Turns out, that is not always the case. Or even the case most of the time.

So, in some of my forms, when the form asked for a mailing address, I took whatever was in the entry box (in the customer screen) and slapped the words "PO Box" in front of that.

That does not work well when the mailing address is in fact a separate address not a PO Box.

I am not smart enough to parse all these addresses to figure out which is PO, and which is Street.

So, from now on, if you want a PO Box in the mailing address, You put it in there.
Carousel will no longer do that.

At least, will not when you next get the deal program updated.

11/2/23 – WSIADA Spokane meeting Nov 23

I thought that there would be several speakers, but only Mr Olsen, ED of WSIADA, was there.

I keep asking him when WSIADA will allow DMSs (that's me) to use their copyrighted forms, so people do not have to keep their old Okidata printers in tune. He keeps saying soon, one of these days, the board is working on it, but not yet.

WSIADA may create their own DMS program.

What they Are working on, is to create their own DMS for WSIADA members. It would be a Washington State Only system. I told them that, while a DMS is not rocket science, it does take quite a bit of time and effort, and in Western Washington, programming time and effort does not come cheap. No due date yet for this effort.

Educational Fair from earlier this year was discussed. Future Fairs will be still split into East and West versions, although he hopes to get some heavier hitters from the wet side to come over here. It may expand to two days.

There are yet more changes to the FTC Safeguard Rule. It appears that the FTC will mandate that anybody under the Rule (that is most of you) will have to report to our Government Overlords if you get hacked. Right now, you can keep it nice and quiet while you try to cover up what went wrong. The hard part, from my point of view, is to realize that you ARE hacked. It aint always obvious, especially if they are not ransoming you.

WSIADA will now provide health insurance services to WSIADA dealerships for their employees. Apparently this is something that has been pleaded for over the years. They will partner with Primera and WAIA (some auto dealership group I never heard of). No mention of prices, but the Dealership has to cover 75% of the cost.

Legislative Update – the used car warranty rule may be back. Wsiada managed to kill it last year, but the AG is bringing it back, allegedly in his run for governor. Expect there to be a major effort to drive a stake through its heart once and for all. WSIADA expects that most small dealerships will go under if the issue as it is now written goes into law.

Most Washington RCW's dealing with Used Car Dealerships are 40 years old. Before the Internet. Essentially before personal computers, and certainly before web sites. So somebody is going to go through all this sparkling prose to figure out what has to be update, deleted, enhanced. WSIADA apparently still has a lobbyist, and we hope he will be a major player in this.

Curbstoning. This is becoming much more of a problem than back then. The penalties are relatively mild, but these guys can cause lots of damage. (Keep in mind that as a teen, Bill Gates was really into buying junkers, fixing them up, and flipping them. Eventually the Dealer Investigator showed up on his doorstep, wagged a finger or two, and Bill decided to start studying computers.)

A dealer cannot sell a car without title in hand. \$2K penalty if not. We all know that people do, especially when the auctions take a month to deliver the titles to the dealers. This is supposed to start being enforced more stringently. However, the problem is, nobody knows where to find your local Dealer Investigator. All the old DIs have retired, and the state will not tell anybody who the new ones are, or even if there are any.

Consignment cars – the paperwork must say where the title is, and that you can make a copy of the title.

There were several issues with the new Temp permits

- a) more expensive (\$45)
- b) funny paper for license plates
- c) could not use old hard temps as credit
wsiada will try to have legislature allow a credit for old hard temps
- d) DRIVES required for e-permitting
- e) laser printers need to be 5 years old or newer, because of the funny paper. Ink Jet printer will not cut it.
- f) must not put temps in back window, must be in the plate mounting. If a driver gets caught with this, he gets a \$500 fine, which he can then go to some sort of court and have the dealership that sold him the vehicle pay that fine.
- g) paper temps are ripping off without a plate holder.

The big issue here is, no credit for the old paper temps. Lots of dealerships ended up holding a very expensive bag. WSIADA is trying to get the state to give credits for those paper temps that you are storing behind your filing cabinets.

DOL

1200 complaints a year

500 investigations

Not enough investigators

top complaints:

late title transfers, or done incorrectly

false, incomplete or misleading paperwork

failure to provide records for investigator

There is a new head of dol, who used to be in the car biz, and so knows something about it all, even if that is a political appointment.

Education

1) The existing system of reading the Front Row and answering a few questions in the back is going away. There will be some sort of on line questions so supposedly so you can't cheat.

2) Wsiada will offer multiple types of training, probably online.

different types for trucks, cars, sales, f&I, repo, etc

membership (why you should join):

WA membership fee highest in nation at \$500.

They have a Dealer hotline for members

WSIADA does have a lobbyist

Auction discounts with wsiada

You have access to legal consultation for dealership issues, or maybe just understanding what kind of crap the state is shoving down your craw this week.

The meeting was supposed to last for 3 hours, but we were done in a hour and a half.

Don't forget, going to these meetings gets you three brownie points against the education requirements that you are supposed to do every year.

The cookies were great!!!

11/2/23 – More on the FTC Safeguards Rule

We have all had a lot of fun with the FTC Safeguards Rule that came into effect last July.

I sent out a bunch of memos on it.

It seems that Uncle Sam did not think that they generated enough pain for you, so they have now enhanced the rule by a little bit.

Now you have to go to confession with them when you have committed the mortal sin of having your data hacked.

from

<https://www.ftc.gov/news-events/news/press-releases/2023/10/ftc-amends-safeguards-rule-require-non-banking-financial-institutions-report-data-security-breaches>

FTC Amends Safeguards Rule to Require Non-Banking Financial Institutions to Report Data Security Breaches

Amendment will require non-bank financial institutions to report when they discover that information affecting 500 or more people has been acquired without authorization

October 27, 2023

The Federal Trade Commission has approved an amendment to the Safeguards Rule that would require non-banking institutions to report certain data breaches and other security events to the agency.

The FTC's Safeguards Rule requires non-banking financial institutions, such as mortgage brokers, motor vehicle dealers, and payday lenders, to develop, implement, and maintain a comprehensive security program to keep their customers information safe. In October 2021, the FTC announced it had finalized changes to the Safeguards Rule to strengthen the data security safeguards that financial institutions are required to put in place to protect their customers financial information. The FTC also sought comment on a proposed supplemental amendment to the Safeguards Rule that would require financial institutions to report certain data breaches and other security events to the Commission.

Companies that are trusted with sensitive financial information need to be transparent if that information has been compromised said Samuel Levine, Director of the FTC's Bureau of Consumer Protection. The addition of this disclosure requirement to the Safeguards Rule should provide companies with additional incentive to safeguard consumers data.

The amendment announced today requires financial institutions to notify the FTC as soon as possible, and no later than 30 days after discovery, of a security breach involving the information of at least 500 consumers. Such an event requires notification if unencrypted customer information has been acquired without the authorization of the individual to which the information pertains. The notice to the FTC must include certain information about the event, such as the number of consumers affected or potentially affected.

The breach notification requirement becomes effective 180 days after publication of the rule in the Federal Register.

The Commission voted 3-0 to publish the notice amending the Safeguards Rule in the Federal Register.

9/15/23 – Carousel Finance Company bug

Two clients have discovered a minor bug in my new v2.012 release.
It has to do with when you add a new finance company, or leinholder.

I only have to update the Deal and Admin programs to fix it.

For the few of you who have multiple workstations, I will have to dial into to all of them.
Maybe I will just visit you to do it.

Also, for the ONE of you without internet, I will wander over and fix it.

Sorry about this problem.

It has to do with a Null field in the database, something that I was worried about from the beginning.

8/29/23 – Quickquote limit bug

A client found a problem with the quickquote program that might affect my biggest dealers.

Specifically, if you have had more than 32,767 customer records created (which includes quickquote generated customers), then the quickquote program itself will blow up. That is a lot of customers, but if you do a lot of customer creation within the quickquote program, that can happen.

To see if you are nearing the problem, please pull up a recent deal where you created a new customer.

Go to the Buyer tab.

There is a label to the right of the Last Name, that says Record #, followed by a number.

If that number is in the 30,000 or above range, let me know and I will dial in and download an update.

If you are below that number, there is nothing to worry about for now, since I will be at your dealership in the next month or so to update you to the next version of database, and I will fix this problem with that update.

7/21/23 – Green Vehicles

As you all no doubt know, there is a huge sales tax reduction for certain Green vehicles.

All this was explained in my video

<https://www.youtube.com/watch?v=fbjY1ckAQMA>

a couple of years ago.

At that time, it was not obvious just which form to fill out to document this deduction.

The video shows what my solution was.

So far, nobody has complained.

But at the recent WSIADA meeting, a DOR audit guy gave a presentation, and actually passed out business cards telling people to give him a call if you had any questions.

I did, about this issue.

And he responded with a new form that I did not know of.

I have incorporated it into the Carousel system as form 80105.

You can see the original form at

<https://dor.wa.gov/sites/default/files/2022-02/41-0121.pdf?uid=64b82ceba2d9>

5/29/23 – Carousel Version 2.012

As part of Carousel's commitment to the Federal Data Security Rule, we have implemented optional Multi factor Authentication into our software.

There are several ways to do this

We chose to use something called Yubikey.

This is a USB device that you can get on Amazon for between \$25-\$50 depending on bells and whistles.

If you decide to use this method of MFA, when you start up the "screen with all the horsies" (We call it the Splash screen) you will get a message asking you to press the button on your Yubikey. Doing that has the Yubikey send a message to the Yubikey servers (so yes, you need the internet to be functioning), those servers will authenticate that you have a valid Yubikey and send back to Carousel the serial number of that Yubikey. Carousel will then check that serial number against a list of valid serial numbers that your dealership allows.

I will provide for the case where the Yubikey is specific to a particular Workstation, and to a particular Logon. I don't yet.

This whole thing is optional. The vast majority of my clients will not want it or use it. The only clients that should use it are those who do BHPH or who find loans for their customers. And even most of them will not want it.

However, I have to make a change to the structure of the database to implement all this. This will be the first change to the Database since 2013. Carousel is not willing to maintain two parallel versions of our software, so over the summer I will be updating everybody with the new database changes.

During the last 10 years, several things have come up that have also required a database change (example: storing the choice of Cash or Credit Card when a customer makes a down payment), so I am throwing in those changes too. And I am creating a bunch of dummy fields in the database so that as new stuff comes up, I will have someplace to put this new data.

Note that just because a database field has been created, that does not mean that the software is ready to roll out to use it. That will occur over the rest of the year. Getting the fields into the database and distributing them is the big deal. Generating the software to use them is not.

I have so far put these changes into one client that has volunteered to be my beta test case. Over the next couple of weeks, I may add another beta test client (if I can find one willing). Then I will roll this out to the two clients that I know actually expect to implement the Data Security Rules that I have sent several memos about in the last year. Then I will hit up the rest of you. That will take time, at least through the end of summer. I want to be on site when I do this, at least for the local clients.

The actual update will only take an hour or so. Carousel has to be down on all workstations that connect to the server being updated. That includes remote workstations. For my bigger clients, I will try to do that before you open up. At any rate, I will contact you before I get there to arrange a time that is good for you.

Some of our clients have never signed our License. This would be a good time to get that done. You can see the license if you bring up the Admin program (there is a button that says "Display License" on the opening page).

Or you can see it in part D of the on line documentation (center of the Splash screen).

I would also like to move as many clients to plain paper forms as I can, so we can get rid of the Okidatas, so I can delete 80% of the forms I currently have in my forms database, and so you will always be up to date on your forms. For Washington clients, there is no reason, other than maybe a Warranty or Gap form, to continue using the bangity bang printers. I have plain paper versions of about all the forms people use, and will attempt to generate paper versions of ones I do not have. Note that there are plain paper versions of the Odometer form, and the TOCBWU form. The only ones I cannot do are forms that are copyrighted (eg Wsiada forms) and forms that are serialized. Wsiada has said that they will come up with a way for me to use those forms too, but that has not happened yet.

Idaho clients still have the 502 form that I cannot do anything about. I keep hearing that this form will go online, but I have not seen that it has.

During this time I still have some Data Security software to generate -- specifically the issue that after two years of no updates, all references to this in the database must be deleted. Programmer hate to ever delete any data, so I am not happy about that, but there you are. The important thing is to get MFA operational where it is wanted.

So, it will be a busy summer.

4/18/23 – 4/27/2023 – California Emissions Form

One of my clients says that their licensing agent is requiring that you fill out the "California Emission Compliance/Exemption Certification" form when you sell a vehicle 2009 or newer.

In my opinion, this is bogus. The discussion about this on the dol web site <https://www.dol.wa.gov/vehicleregistration/cleancar.html> gives a list of exemptions, one of which is that the vehicle has less than 7,500 miles on the odo. I don't think any of my clients sells something with that low mileage.

However, when you download the actual form, it lists out all the exemptions, but the 7500 thing is missing.

It is also true, that the form is dated 2011. Maybe something changed. I could not find a newer form.

And then you look at the referenced RCW

<https://app.leg.wa.gov/rcw/default.aspx?cite=46.16A.060>

And it says something different yet, but then, it is talking about emission testing itself.

So, I don't know what is the true answer.

Maybe your lawyer does.

At any rate, Carousel now has this form (60140) and if you think you need it, I can download it for you.

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From WSIADA -- 4/21/23

WSIADA has received some inquiries from dealerships concerning Vehicle Licensing Offices (VLO) in their areas asking for a form relating to the California Emissions Compliance under the Washington State Legislation passed in 2005 beginning with 2009 units.

- Transaction is an Original transaction for a 2009 or newer vehicle subject to California Emission Standards.
- There is no MSO/MCO (as in the case of a used vehicle).
- Vehicle owner states the vehicle is exempt or is not required to be compliant per the "not applicable options on the DRIVES Status Reason drop down field.

DRIVES may prefill the information on the screen, however, this does not remove the requirement for the applicant to provide proof of compliance or exemption.

The form in question is called California Emissions Compliance/Exemption Certification (link).

When DRIVES presents the California Emissions screen, and you do not have the MSO/MCO, you must submit a properly completed California Emissions Compliance/Exemption

Certification form signed by the applicant with the title work.

Dealers may sign the form by POA. Submit the POA document with the title work.

This form is required. The Certificates must have a date of validation that is within twelve months of the assigned registration renewal date

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4/27/23

I have had a number of calls about this silly form.
Some of the questions were even printable in a family email.
I don't have many official answers.
I have contacted WSIADA, and they are asking DOL for some answers.

One question is -- who signs this thing.
The instructions are very unclear.
We think it is the buyer of the vehicle, not the seller (eg you) that signs it.

Second question is -- do you have to print this form for everybody.
My impression so far is that you do, with one exception.
The form is only really needed for vehicles 2009 or newer.
And as I said in my previous memo, there appears to be an exemption for those vehicles that are over 7500 miles on the odometer.
WSIADA did respond to this latter issue, by stating the following:

When the state states "Previously-registered vehicles with more than 7,500 miles at the time of sale." it means previously registered in-state.

That suggests to me that you still need it for all out of state vehicles, no matter the mileage.

My boss, Connie, did some research, and she believes that if they send an odometer reading on it over 7500 miles it does not need the emissions form.

In my opinion, generating an odometer is more work than just printing the silly emission form.
You have to either deal with the hard copy version or the laser version of the odometer.
You do not have to print an odometer for vehicles older than 2011.

So, for now, here is my personal opinion, subject to change when WSIADA gets back to me on these issues:

Generate one of these forms for every sale.

It is just one more click of the mouse. Well, two actually.

I will make three changes to how Carousel currently generates this form:

- 1) I will check the box for all vehicles older than 2009.
- 2) I will print the name of the buyer above where the signature is needed.
- 3) If I feel nice, I will even give you the ability to check any of the other exemptions on your screen, rather than having to hand check those other things.

If you want this form added to your database of forms, drop me a note and I will dial in and set it up.

I should have the modified forms done by Monday.

4/28/23

I have heard from WSIADA.

I appreciate Mr Olsen taking the time to research these questions.

The following in Italics are WSIADA's answers to these questions.

On the question of who signs the form:

Always the buyer.

A) If the dealership is processing a Title Purpose Only into the dealership name (this could be due to a salvage title, or lost title paperwork when the dealer is selling to an out of state resident) then the dealer representative signs the form.

However, on the question of when you have to print the form:

The dealer does not need to complete the form if the vehicle is a model year 2008 and older.

WSIADA was not asked about the odo taking the place of the emissions form.

WSIADA meeting, April 11 2023

The meeting was held this time at the Hampton Inn. The food served was way better than usual. It was pretty well attended, with about 40 people. Only four of them were my clients.

CHANGES AT WSIADA

The Board President, Wasim Azzam, was reelected. He only gets two bites of the apple, so next year there has to be a new one. He worked his way up in the auto industry, starting as a mechanic, now owning a dealership on the wet side.

Brian Danzel, the Executive Director, has left to pursue other opportunities as a county commissioner in Republic county.

So the current boss is the Director of Operations, Rick Olsen. I don't know if they are looking for a new ED, or if he got the job with a different title and lower pay.

WSIADA has a completely new web site. From my point of view, there is a problem in that Firefox, the browser that I use, cannot log onto it. Edge can, and probably Chrome can. This web site will be used more and more, as for example reservations for the annual meeting and probably others.

There are 7 regional sections within the WSIADA organization. Our local section, over the last maybe 10 years, has had three section presidents that I can remember, each one lasting only about one year. So we are once again without a glorious leader. WSIADA is actively looking for somebody willing to do this. Years ago, I told them I would be happy to do that, but since I am not a dealer, I am not allowed. (Actually, I really just wanted to get my hands on their mailing list....). The good news is, with the increased use of Zoom in the last few years, you would rarely be required to actually travel to the board meetings in Auburn, but can dial in for those meetings.

The qualifications are: Member of WSIADA, Dealership Owner for at least 3 years. Willing to devote some time to meetings and stuff, and the internal minutia of WSIADA politics. Like firing the ED. It is one of those situations where, if you meet those qualifications and can fog a knife, you are elected.

There was also a discussion on membership fees, and membership benefits. These include a lobbyist, education brownie points, auction discounts, staff help. On the legal front, you get 10 minutes with a lawyer as part of membership. I probably heard about that someplace, but I had forgotten it existed. I am not sure how much help you can get in 10 minutes.

LEGISLATIVE NEWS

Supposedly WSIADA has a lobbyist to keep track of things happening in the Washington Legislature, but somebody seems to have dropped the ball. Both of the following were discovered by WSIADA only when they were half way to being signed bills.

WSIADA has been fighting **HB1184 – the used car warranty bill**.

It was going to require that all used car dealers provide a 3 month free warranty for all used cars they sell. If the car developed a problem, the dealer would have to fix it for free, and if that did not work, buy the car back. This would be required for all cars in the range of 3k - 100k miles. WSIADA asked for dealers to come and testify to the house committee, and then it died. In the house.

Then it went to the senate, where a few changes were made, like exempting auto auctions. This bill died in the senate X file, which apparently means that it is dead, but could, Lazarus like, come back to life later. It was suggested that the New car dealers were behind all this, so that the used car guys would have to come to them for needed repairs.

And yes, we all know that used car dealers cannot sell warranties, they can only sell service contracts. But the legislature does not know that, because they did not ask anybody.

HB 1790 – please see <https://app.leg.wa.gov/billsummary?Year=2021&BillNumber=1790>

The big story is on the revision of the paper and electronic **45 day Temps**. Currently, you are supposed to use the Drives web site (which Carousel provides an interface to) to start the title process for the car. That system prints out a bunch of paperwork, one page of which goes on the back window of the car.

Somebody grumped about these stickers not being visible on tinted glass back windows. So the legislature, without really discussing it with anybody like WSIADA (same as with the warranty thing above) passed a law saying that all Washington dealers now have to print out their own temp on special paper (available from DOL or WSIADA) that will go on the car where the license plate goes. This paper is supposed to be waterproof, and printable by a laser or ink jet printer. The law even says that your printer has to be no older than 5 years, as if that should somehow make a difference. This all goes into effect July 1 of this year.

So, if you are now using hard temps, you can use them up, but you will not be able to get any more.

If you have been going to your local subagent for them to do all this, they will enter everything into their computers, but *you have to actually print the temps on your printer at your office*. The subagent will not do it for you. So you have to start using the Drives web site if you are not

doing it already.

What if the web site is down? The answer given was: you can use a marker to print up one of these things by hand, until the web site comes back when you have to redo them. I can just see a state trooper seeing a hand written license plate and wondering if that is legal or not.

Currently, about six pages of stuff gets printed. This special paper is needed only for the license thing. How will all that get separated? Nobody knows.

In fact, nobody seems to know anything. There were two subagents there. They did not know. Mr Olsen has talked to DOL They either do not know or are not saying.

So, Situation Normal, All

Presentations about Licensing

Airway Auto licensing – Sean Reynolds

WA Assn of Vehicle Subagents – Reanne Robertson

It was mostly a Q&A. Most of the questions related to titles. They don't seem to know anything more about the new laws than we do. But they are really restricted by privacy laws in how much they can tell you – like, is this title valid, who owned the car previously, etc.

One thing that I did not know about was a service that Drives provides, called Contract and Plate Service. This can give you information on Wa cars that agents cannot give, because of their privacy issues. Things like liens, branded titles, other stuff that can mess up a sale if you do not know about it. There is a cost involved, but you can bill the customer for that cost.

DOL lost \$14 million in funding last year, and more this year, so they have been cutting open positions, which is why things take forever to get done, like licensing. A lot of DOL fees are going to the state and are not kept by DOL itself.

A Road Use charge is likely to be coming, because of all the EVs being sold, which results in a loss of gas tax money.

Soon, a statement of Insurance from the Customer, all open safety items have to be fixed, and an odometer statement may be required to sell a vehicle. DOL is working on getting a database of which drivers in Washington actually have insurance that the dealer can check. Seems like odo statements are already required, but maybe this means for vehicles over 11 years old.

Data Security Presentation by ATTM Technology

Alec Taylor and Ty Merchand

atttm-tech.com wsuada@attm-tech.com

206 350 2886

Safeguards & cybersecurity

The new (to us) Data Security FTC Rule is going into effect June 9.

It concerns itself with Personal Identifier Information of anybody who a dealership provides a loan to (buy her pay here) or facilitates in getting a loan (generate a TOCBWU contract).

ATTM is a company that has partnered with WSIADA to provide compliance, cybersecurity, and management of all the details involved with this Rule.

Their presentations are designed to put the fear of God into you about the hellfire and damnation that will happen if you run afoul of the Rule. One expected that at the end of their sermon, that everybody would be jumping up, with hands in the air, saying "save me, please save me". That did not happen, but they make a very powerful case about what you need to do (and who to do it with). If I were a dealer, I would be induced to do something.

There is a little bit of cost to all this. For about \$4000/year (for WSIADA members, and I am told this is cheap), they will provide several products:

Fusion 365 – \$3200 year for WSIADA clients.

Mandatory risk assessment by 3rd party (them) of your dealership's IT situation.

They will tell you where you have gaps in your IT infrastructure, and have 4 meetings a year with your dealership on these issues.

Proton 365 – \$25/month per user

Makes sure you keep up with mandated technology changes in your IT infrastructure.

Neutron 364 – \$1200/year

They will fully manage your network, look for any bad guys trying to hack into your systems, and log all that stuff into a cloud file or database.

Prep 365 – \$75/month per user

This will be continuous training, classes, whatever education is needed for your online staff.

I have written a few memos already on what they offer. They believe that all your information should be in the cloud. Carousel cannot do that. Carousel is going to provide Multi Function Authentication for its products. But converting to the cloud is a bigger lift than we are prepared to do.

Penalties can be up to \$43k per violation per day. It is arguable as to what a violation is, and how long it has been happening. But it is gonna hurt if you get nailed.

There have been discussions on the 5000 customers part of the Rule. If you have fewer than 5000 customers, then some parts of the Rule are relaxed. ATTM's position is this really means 5000 records. Which says, if, for instance, you have 2000 customers in your database, but have backed your database up a couple of times, that really means you have 6000 records (including saved backups). You also have to factor in any emails that contain any of this data. I will say, that is not the way I read the Rule, but as I have mentioned in previous memos, knowing what the Rule really means is sometimes quite open to discussion.

In past memos, I described their 12 step program to do all of this.

They will also help you defend yourself from Ransomware and phishing. One of the ways that people break into a system is through fake emails, sometimes called phishing (pronounced "fishing"). You get an email, and it looks like it came from your boss, telling you to go to the bank and get \$1000 of gift cards and mail it to his new address in Afghanistan. Probably a phishing email.

There are ways to cut down on such emails. These have to do with technologies of email verification – known as dmark, spf, dkim. These are internet records that confirm that an email was sent by a valid sender. I looked into this after last year's presentation, and I could not figure out how to implement this stuff, so you probably will not be able to do it yourself either. He has not found a client yet that is doing this. Small wonder.

My recent memo (two days ago) will give you a few other options that might not be as rigorous, but also would cost a lot less. It also discusses things that Carousel is prepared to supply, like MFA, to help you reach these goals. But Carousel is NOT an IT organization, and we do NOT have expertise in cyber security, and network hardening. You will need help from somebody else for that.

4/10/23 – Data Security (Part IV)

The attached memo describes MY (not all of Carousel's) thinking about Data Security.

There have been several articles in the Front Row newsletter, talks at WSIADA meetings, and I have already written a couple of memos on this subject.

This memo summarizes the issues, and some solutions, to this Data Security problem. Note that you are supposed to have your solutions in place by June of this year, so there is not a lot of time left.

This federal Rule applies, I believe, to every dealership that makes a car loan (Buy Here Pay Here dealerships) and to dealerships that Facilitate a loan for their customers. This latter can be defined as: do you print out a TOCBWU contract for your customers. Everybody else, as I read the Rule, seems not to be affected by this new Rule. If everybody that buys a vehicle from you just dumps a suitcase of twenty dollar bills on your desk, this Rule does not apply to you.

I describe four options in this memo, from most expensive (ATTM, local IT guy) to free (eg do nothing). if you are going to pick options 1 or 2 (where you will need help from some company to get you through all this) I need to know, so that I can provide an MFA solution to you,

If you are at all considering any of this, you should really go to the WSIADA meeting being held April 11 (tomorrow as I write this), which will be discussing the ATTM solution. I will do my best to write up a summary of that meeting.

Safeguards Rule, commonly known as Data Security
March 2023

I have written three times about this thing already.
You can see those memos at the Carousel website
“[carouselsw.com/clients/Carousel Epistles IV.pdf](https://carouselsw.com/clients/Carousel%20Epistles%20IV.pdf)”
In here, I want to give you what I think are the available options.

First, let it be clear: *I AM NOT A LAWYER!!!*
YOU need to read and try to understand the Rule
<https://www.ecfr.gov/current/title-16/chapter-I/subchapter-C/part-314>
This is made some what more comprehensible if you also read this longer document
<https://www.federalregister.gov/documents/2021/12/09/2021-25736/standards-for-safeguarding-customer-information#footnote-323-p70300>
If you want to know more about Finders, please see
<https://www.ecfr.gov/current/title-12/chapter-II/subchapter-A/part-225/subpart-I/section-225.86>
Part d iii.

I am only going to give you Carousel’s opinions on what needs to be done to comply with this stuff. Note that these are Federal, not State, not County rules, and apply to all states.

You will have to choose what to do in the next few months, and have it in place by June of 2023. There are really serious business bankrupting fines if you get it wrong, and the Feds find out about it.

Anyway, what is this all about? “This Rule exists to protect sensitive consumer information from being accessed by unauthorized people.”

It is my (non lawyer) belief that IF you do not make loans directly (BHPH as an example) OR IF you are not a Finder (essentially somebody that facilitates a loan for your customers, who fills out a TOCBWU contract form) that you can ignore all this. That would seem to apply to about half my clients. Everybody else needs to be aware of what is required, and how to fix it.

What is “sensitive customer information”? More than you would think. Some people believe that all you need to do is to encrypt maybe the driver’s license, and SSI (which we already do). But the Rule requires you to prevent *even the fact that a particular customer of a dealership HAS a loan at all*. So that is pretty drastic.

Who is an “unauthorized person”. Clearly employees are authorized, but the Rule states that there needs to be some distinction about which employees can see what. Carousel does distinguish between Salesmen and Managers. Would Carousel people be an unauthorized person if we need to diagnose some problem you are having? Certainly somebody just randomly walking in the door would be under this concept. And of course, it would apply to Russian hackers.

Note that dealerships with less than 5000 customers have some slight relaxation on these Rules. Within Carousel, we argue about exactly how relaxed the requirements are. My understanding of the Rule is you don't have to write down some of this stuff, but you still have to do it. Others seem to think that you get a much wider pass on what you have to do. Read the Rule, and the commentary, and you decide.

There is also the issue of customers – who counts. Again, even within Carousel, we differ. My opinion is, a customer is somebody who is in your database who has bought a vehicle from your dealership. Note that the Rule also requires you to delete such information after two years, so one could also state that the count of customers is whatever is left over after such deletions.

Second: *Carousel is NOT an IT company.* We write software. But we do not claim any expertise in configuring networks, securing servers, putting up barriers to the bad guys. There are companies in Spokane, and in Washington, that do this stuff. Colleges, and even at least one high school, have courses in all this stuff. And they will all probably tell you different answers to the question of “What am I supposed to do?” Even within Carousel, there are different opinions on what should you do. These here are my opinions.

Third: *Carousel does NOT keep any client information in its offices*, except for a short time if we need to diagnose a problem. This is rare.

In this memo, I want to offer four different options that we have thought of.

But First, I need to state what Carousel is going to try to change in its software to help you comply with all this stuff. There will be IT people who will say we do not go far enough, and others who say we are going overboard. I hope that helps with the clarity of this situation.

What carousel will provide for Data Security

Authentication

Authentication is the way you connect to a computer so that the computer knows who you are. The most common way is with a password. Over the last few years, something called Multi Factor Authentication has become popular with large companies.

Carousel currently provides an optional customer wide password, which is different for each class of Carousel functions: Inventory and Inventory Display, Deal and Quick Quote, Admin, and Self Finance. But these passwords are not user specific.

Carousel could make its functions not password Optional. That is, we could force a password for use of all functions.

Currently, the other tools, used mainly by Carousel personnel for maintenance work, are mostly not passworded. We could put passwords on those programs as well.

The big problem is, *the Rule does not believe that such a password is enough*. The Rule specifies that authentication must be Multi Factor Authentication. And for us, that is a problem. If we required all our clients to use something called Microsoft's Active Directory, which is very expensive, we could do that. None of our clients are using that currently.

There are several commercial versions of MFA available. There is Google Authentication, which requires a smart phone. And there are hardware devices. One of those devices is called Yubikey. And that is what Carousel has chosen to use.

Yubikey is a USB device that you can buy at Amazon and elsewhere for between \$25 - \$50, depending on its bells and whistles. It plugs into a USB port on your computer, and when you press a button on the device, it sends a 44 byte encrypted message to the computer. Pressing the button a second time will get you a wildly different message. The computer receives this message, and sends it to a Yubikey server (so you have to be online) which validates that this key is legitimate. Carousel can read a permanent serial number from the device and make sure that it is a device that is owned by the dealership. Carousel will modify its programs to always verify that a Yubikey message had been generated on that computer on that day. You can decide if you need one Yubikey per person, one per computer, or just one for the whole dealership.

The Rule says that all data for a loan needs to be deleted after 2 years.

Carousel can do one of several things:

- 1) Blow away all data 2 years after the sale, or after the final payment on the loan. The hard part is knowing exactly when this action can be done.
- 2) Change the customer name on a loan after 2 years to some fake thing. Provide a printed copy

of the translation. That way the deal data is preserved in the database, even though the customer name is not. That will make it rather difficult when Mr Acme comes in to buy another car three years in the future, because we will have no record in our database that he ever did.

Backups

Currently we provide thumbdrives to clients to do their backups. Because we give them away, they are cheap, on sale, small drives. For a bunch more money, you can get passworded and encrypted thumbdrives. That way, if somebody walks off with one, they will not be able to see the contents.

You can also use one of several online backup methods that keep the data in a secure data farm. Carbonite is one such company. One Drive from Microsoft may be another option.

Logging

Carousel logs all data changes. That is, once a database record is created (and that creation itself is not logged), carousel will log all further changes to that record. Currently, we can only log the computer that the change was made from, because nobody logs on as a distinct user. Once that logging on is mandated, we can then log the user.

Most of the rest of the Data Security required by the Rule needs to be done by the Dealership.

What the Dealerships Need to Do

We would like to present four options on what you need to do. They range in cost from a whole lot to nothing at all, and range in security from Armor Plate to You Are Out Of Business.

Note that the penalties for not following the Rule is \$40,000 per day per incident. Or something horrible like that.

Our options are:

- the Rolls Royce solution -- what ATTM proposes
- the Buick solution -- what a local IT provider proposes
- the Fiat solution -- what you can do more or less on your own and hope for the best
- the Yugo solution -- do nothing and hope the \$40,000 hammer does not fall on your head.

Option 1 – Rolls Royce – ATTM

ATTM is a company located somewhere in Western Washington that has collaborated with WSIADA to provide services to dealerships to comply with the Rule. ATTM has a power point display that can be accessed on their web site, but you need a password to see it. (You can call them at 206 350-2886). They appear to have put in a lot of time to figure out what you need to do, and how they can help you do it. The above mentioned powerpoint states 12 steps that need to be dealt with. Cribbing from their powerpoint, they are

- 1 – PERFORM A PERIODIC THIRD-PARTY RISK ASSESSMENT
- 2 – CREATE A WRITTEN INCIDENT RESPONSE PLAN
- 3 – SUBMIT REPORTS TO LEADERSHIP ON A REGULAR BASIS
- 4 – SECURE INFORMATION
- 5 – SECURELY DISPOSE OF SENSITIVE INFORMATION
- 6 – ADOPT A WRITTEN CHANGE MANAGEMENT PROCESS
- 7 – DESIGNATE A SECURITY PLAN LEADER
- 8 – MONITOR, LOG & DETECT
- 9 – MONITOR THREATS
- 10 – PENETRATION & VULNERABILITY TESTS
- 11 – EDUCATE YOUR EMPLOYEES
- 12 – ENSURE YOUR SERVICE PROVIDERS ARE ALSO COMPLIANT

That is a lot of stuff to deal with and think about, especially for a tiny dealership. Part 12 is where Carousel comes in. The rest of it is on you. A lot of time and money. But if you do all this, with ATTM, you can sleep soundly that you have done your best to comply with this Rule. Unfortunately, you may be so broke after doing all this, that you have to move back to your mother's house to do your sleeping.

ATTM will hold your hand through this process, and you will probably have to buy new or upgrade your current computers. (And, they might suggest changing your software also....)

Option 2 – Buick – use a local IT provider

Spokane has a lot of independent IT providers. We use Spokane Techs (509 499-4937) aka Mario. Other cities of a certain size also have such local companies. Mario deals with Banks and Medical offices (which have equally rigorous HIPPA rules) and has been thinking about what he could provide to car dealerships.

I have had discussions with Mario specifically about what he would be prepared to do about all this. The issue is, how many of our clients would use his services. He would need more than only one or two clients to ask for his services to make it all worth while. If you are interested in contracting with him, please give him a call at the above number.

Our reading of the Rule says that the database (aka the Server) has to be encrypted. From that, we believe that the individual workstations do not have to be encrypted, but have some form of security that allows only authorized persons to use those workstations. That is where the Yubikey mentioned above comes in.

There would be two parts to all this.

Part 1 would be to mandate Microsoft logins for every Workstation. Currently very few of our clients use logins at all. And for those that do, most have the same password for all workstations. Virtually all of our clients' workstations are Windows Home. Windows Home can enforce mandatory logins. We would also have to mandate some MFA, such as Yubikey, for those workstations.

Part 2: As for the server, there are a couple of choices.

Convert the server to Windows Pro, and turn on Bitlocker. That encrypts the entire disk drive, including the database. I am told that workstations can get at the database over the network using this technology. Instead of Windows Pro and Bitlocker, one could encrypt the server using other commercial encryption products.

You should have all your computers on a supported OS, which for Microsoft currently, means either Windows 10 or Windows 11. That may require buying new computers. You may need the Pro versions of these OSes also.

When Carousel set up most networks, the connections between the workstations and the server were such that if somebody figured out the network password, the network would be open season. There are better ways for networks to be configured, requiring a password from the workstation to the server when a connection is made. Your IT guy can fix all that. We are not smart enough to deal with this.

Beyond all that, there are all the rest of the Rule items that need to be addressed. And Carousel Cannot Do that. We are not an IT company, or a Network company. Mario IS prepared to help you with all those other requirements that the Rule says you have to do: penetration testing,

recovery procedures, Qualified Individual, and on and on. Those are all things that the Rule says you have to do, and very few of my clients have the expertise to do all that themselves. Note that such help is not free.

Option 3 – Fiat – What you can do on your own

The best hope if you want to do all this yourself, is an air gap. That is, isolate your Carousel computers from the internet. Have a 2nd router, not wifi enabled, not connected to the internet, that connects the Carousel computers in your dealership. Your primary router would connect to a second set of computers to do email, web surfing, and whatever else is not Carousel specific. The two routers would not be connected to each other, hence the air gap.

I should note that ATTM does not believe that this idea would give you safe harbor, not because it would not work, but because it is not an identified solution within the Rule.

This also brings up the issue of Carousel dialing in to help you with some issue or problem. With no internet, we cannot dial in. We would have to go on site, which works for clients in the Spokane and North Idaho area, but not for anybody else.

Option 4 – Yugo – do nothing.

Just don't get caught.

Knowing my clients pretty well, I expect that most will opt for Yugo.

It is your choice.

And, pretty much, as long as nobody hacks into your systems, or nobody points a finger at you with the feds and says you gave out sensitive information, you will probably get away with all this. They are likely not going to come looking for you with no reason to prompt them.

If however the feds come calling on you because somebody called Them (the feds) saying that their personal data got hacked, or that you have been hit by Ransomware (two clients already have), then your are hosed. The \$40,000 hammer will come right down on your dealership and you can kiss it good by.

Somebody that stays awake nights hoping that he does not get hacked, and that the Feds do not come calling "to help you", might want to consider one of the three other options, even though there is some cost related to all of those options.

At the least, you should put in personal logins on every computer, and you should use some of the tools that Carousel will be providing, although they will not be enough to get you off the hook if the worst happens. None of that will cost any cash.

Summary

If you are involved with loans, you need to think about what you are going to do.

I have provided four options here.

If you want to go with option 2 (local IT provider), you need to give them a call now, so that they will know if there is enough business to make their time facilitating this worth while.

The ATTM guys will be presenting again at the local WSIADA meeting on April 11. You could go and talk to them face to face.

If you are going with Options 1 or 2, let me know. I have to modify my programs and modify the database to make all this happen. I hope to get the mods done in April, and start rolling them out in May. Since I presume only a small few of my clients will do anything at all about this, those who are going to do something need to contact Carousel so that you can be an early adopter (eg a pioneer) of all these changes.

1/30/23 – W11 and networking

Carousel recently came across an issue when one of our computers updated from W11 21H2 to version 22H2. Remember, W11 states that they will only do major (non bug fix) updates twice a year. So this one was the 2nd update for 2022.

That happened to me this weekend, and my networking stopped.
I talked to our IT guy, Mario, and he provided a fix.

This is only a problem if your server (the place where your database sits) is on a Windows 11 computer.

And if you let it update to 22H2.

It will ask you first. At least, it did for me.

If you have this problem, you will have to disable something called Windows Protected File Sharing.

I have a set of instructions provided by Mario on how to do this, but if you run into this problem, it might be best to call Mario at 509 499 4937 and have him fix it.

Note that he is not free.

Not everybody with Windows 11 will have this problem.

Depending on how your network and computers were originally set up, it might be a non issue.

And most of my clients do not have their database running on a W11 system.

This is not a problem for your Windows 11 workstations, only the server.

And it is not a problem if the only computer you use Carousel on is Windows 11.

There is a possibility that if your workstations are Windows 7 or earlier, and you are connecting to a W11 22H2 server, that they may have a different problem. The protocol that W7 used for networking is now obsolete, and W11 no longer by default recognize it. There is a way to tell W11 to use the older protocol.

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How to Disable Windows Protected File Sharing in Windows 10

Go to the Start menu and select Settings.

In the Settings window, click on Network & Internet.

Under the "Network & Internet" category, select Sharing Options.

Under the "Advanced Sharing Settings", locate the option labeled Password protected sharing and disable it by clicking the switch beside it to "Off" position.

Close all windows and restart your computer for the changes to take effect.

Now you have successfully disabled Windows protected file sharing in Windows 10/11!

