



What Dealers Should Do About the CDK Cyberattack

Insights

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The recent cyberattack that took down CDK Global's software platform has left dealers scrambling to continue operations. While the immediate focus may have been the potential breach of customer data and the ability to continue to process sales, a new issue presents itself as month-end approaches: what do we do about payroll?

Shockwaves Through the Industry

Many dealers rely on CDK to handle data relating to sales and service profits. This information, in turn, impacts upcoming commission payments due to Finance Managers, Salespersons, technicians and Service Advisors, among others. Without this information, dealers are now left with the difficult task of determining how and what to pay their employees.

What Should You Do?

The answer is largely dependent upon each dealership's pay plans and the state in which you operate. Most pay plans contain language authorizing the dealership to adjust (or chargeback) against employee incentive pay (commissions or flag earnings) in a subsequent month to correct errors in calculation.

If a dealer has this language, they could estimate employee incentive pay based on past performance. Then, once the employee's actual wages due can be calculated, dealers can adjust future compensation up or down to account for the difference. While this provides a stop-gap solution for upcoming payroll, dealers should also be mindful of state law which could require additional disclosures and authorizations for such deductions.

For those dealers who cannot calculate or even estimate what is due, the simple answer is: do your best. Most states' wage payment laws require regular payment of wages to employees. Not paying your employees is therefore not an option.

Conclusion

There is no perfect solution for this entirely unpredictable dilemma. If you have questions regarding how best to handle your payroll as month end approaches, contact your Fisher Phillips attorney, the

authors of this Insight, or any attorney in our [Automotive Dealership Team](#) to determine what approach works best for you.

We will continue to monitor further developments and provide updates as necessary, so make sure you are subscribed to [Fisher Phillips' Insight system](#) to gather the most up-to-date information.

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