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Hendrick Leadership #7

## Parts Manager Questions

Have your parts manager answer the **78** questions found in this zip file. Confer and provide suggestive actions. **(50 points) Provide your answers in a different color font.**

1. How often is your dealership's source pricing levels reviewed for competitive maintenance and heavy repair? - **Once per year**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. - **Once per year**
3. Verify with the use of market surveys on selected parts prices in your area as to whether you are competitive with others. You don't have to be the lowest to sell more, but too little or too much profit can keep you from being competitive.  
- **Once per year**
4. Does the computer system you have follow one or more of the pricing guides for various types of customers? Review the pricing structure with the manager and determine areas of profit potential. Policies in wholesale, retail counter, service department, employees, etc., need to be established. - **Once per month**
5. Do you have in place policies and DMS controls (via Exception or Deviation Reports) to prevent counter people from changing the pricing structure during daily transactions? What about Service Advisors? - **Yes we have this in place and pull from the report. Advisors are required to get management approval for discounts.**
6. Is there a process followed to prevent the costing of parts at other than the established factory (OE) cost within the dealership when parts are placed into the inventory? (done through the use of +/- inventory adjustment account(s)) - **Only the parts manager has access to do this**
7. Regardless of parts cost (due to various sourcing opportunities (Jobber/Wholesale Distributor), are they all costed at the same factory price to maintain accurate inventory value? - **Yes**
8. How are discount purchases tracked in the system to show additional profit based on the cost of the part from a particular source other than factory price? - **This is done by the parts manager through the report generator**

9. Do you have an internet presence for your parts department? – **Barely. There is a small page with 1 \$70 coupon for a tire rebate and a reminder that it might be time to replace your air filters.**
10. What type of merchandising programs do you have in effect? What is the relative cost versus sales generated as a result of the programs? - **Only a small amount of Audi boutique items are out and are sold at roughly \$20 over cost.**
11. Is an outside salesperson active in your parts department? Are the sales at a level that “pays” for the employee or could the accounts be maintained on a part-time basis by the manager? – **No, we do not have an outside salesperson**
12. Do you have factory merchandising dollars available, and if so, how much of those dollars have been spent year-to-date by the dealership? What must be done to qualify for more expense sharing in merchandising by the factory and the dealership? – **No we do not**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? -**Just our Audi Northlake website. Nothing specific for parts.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? – **Once every 6 months**
15. Pay plan reviews should be made at least on a monthly basis. When has a comparison been made between departmental gross profit and the personnel expenses for the department? Is the current sales level providing a sufficient profit for the pay levels established for the parts employees? - **Pay plans are reviewed annually and yes, at this time, the current sales level is providing a sufficient profit for the pay levels.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? – **We only seek additional revenue in our wholesale business.**
17. Is a program set up to sell accessories to the customer in the sales department as well as the parts area of the dealership? If not, are you leaving potential sales and gross profit on the table? – **We are not consistent with a program in the sales department. It’s only sporadic when we take time to think about it. We are definitely leaving gross and sales on the table because it hasn’t been a focus.**
18. Do you review wholesale customers weekly to see if parts sales dollars per customer and returns justify the expense of conducting business with them? For example, delivery 30 miles out of town to a customer ordering \$300 a month of parts at Cost+20% may not justify the delivery service. – **No, we are not currently reviewing our wholesale customer accounts weekly or at all.**

19. Do you study your wholesale market opportunity with the dealership's area of influence? Who's the major player and can you unseat them? Can you make a difference against your competition? Can you deliver 2-3 times a day? Within what mileage radius? – **Yes we study our market opportunity with Audi of Charlotte who is about 20 minutes across town. We haven't been able to unseat them just yet since they have been in business for over 20 years with a bigger market. We have been open for 4 years. But we did begin delivering twice a day and some days go as far as 150 miles. We are also part of a co-op with our Independence stores and can use them if we need to go further out in North Carolina or South Carolina.**
20. Who verifies the "wholesale" customer applications to make certain they are really true wholesale customers? Are your state Tax-ID/Wholesale Certificates current (within the last two years?) – **Our wholesale advisor and parts manager do this and we are current.**
21. Discuss monthly expense control with the parts manager and identify specific areas under the manager's control. If expenses are allocated and not charged on a controlled basis, consider basing pay programs on sales or gross rather than net profit as part of the plan. – **Special order parts process, we must look at a trend analysis each month**
22. Who determines credit approval for parts customers and what screening system is applied? Who follows the receivables list in a timely manner to make certain payment is made by the customer without exceeding the account limits? – **Our accounting manager determines credit approval. We do a reference sheet to verify they have good credit history with those vendors.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? - **Yes, monthly**
24. What are the special parts ordering policies for SOPs? Where is it written and posted? When was it reviewed and what level of management approved it? – **Customers must pre-pay for SOP's unless it is warranty work. This is not written or posted anywhere.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? - **Retail and service clients pre-pay for SOP and wholesale pays when they get the part.**
26. What time is set to retain these parts and then initiate a return? Is a return charge made on customer pay parts that are returned because the customer did not return for them within a time limit? – **There is no time limit at this time to retain these parts. No, there is no return charge in place.**

27. Who are the parties that are involved in the SOP process start to finish? – **All counter parts advisors and the BDC.**
28. Are special order forms completed in a legible manner so that the customer information can be read? – **Everything in generated electronically.**
29. Where are special order parts for the service department located? Who notifies the customer the part is in, and who determines when to send the parts back if no response is made by the customer? Is anyone designated to follow up on SOP's, the lack of return? – **SOP parts are located in parts on the designated SOP shelf along the back wall. BDC notifies the client when the part is in so they can set the appt. The parts manager determines when to send the parts back. No one at the time is designated to follow up on SOP's.**
30. See if special order parts are carried in a separate section of the parts inventory to maintain control. Or they inserted into the regular inventory? – **They are in a separate section.**
31. Who administers and controls the Purchase Order system (DMS/book)? What dollar amount of fixed asset purchase can be made without approval above parts management level? Who sets and monitors these \$\$ levels and total open PO's and open PO \$'s? – **All counter advisors control the PO system. Up to \$1000 is the amount of fixed asset purchase that can be done without parts manager approval. Parts manager monitors these dollars and open PO's.**
32. Does anyone other than the parts manager have direct purchasing authority from outside vendors? Who oversees the Parts Manager? (Double signatures, Perusing the Parts Dept. purchase invoices) – **All counter advisors have purchasing authority. The GM oversees the Parts Manager.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? – **Parts manager, GM and Market Area Fixed Ops Director determines internal pricing. Yes, all internal purchases are run through parts.**
34. Does the value of the parts inventory on the parts computer exceed, or is it less than, the financial statement dollar amount? (Monthly Reconciliation Exercise) – **It exceeds it by \$179**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) – **The parts inventory is higher than the accounting inventory**
36. If the accounting inventory value is less than that of the parts inventory value does this indicate an abnormal condition? (If not, why?) (Monthly Reconciliation Exercise) – **Our number is so small that it doesn't seem as if there is an**

**abnormal condition. It could be that there was already something billed for the new month when the snapshot was taken.**

37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. - **Yes**
38. Is there an employee responsibility to function chart as was discussed in class? Are there specific inventory transactions (Grading, Ordering, Receipting, Posting, Adjustments, Bin Count Inventory, Returns, Cores/Dirty Cores) assigned to each of the employees in the parts department? (Functions vs Employee Exercise) – **No, there is no function chart in our parts department and nothing is assigned.**
39. Who controls the training programs for the parts employees? When was it last reviewed? Is it part of a yearly review with the employee and is it part of the employee's pay plan? – **Audi corporate controls the training and it is done quarterly and yearly. It is not part of the pay plan.**
40. Are records kept of the training for each person and when did someone last take online DMS refresher training? Parts Catalog training? OE/Manufacturer specific training? – **Yes, yearly**
41. Has your Parts Manager ever taken a departmental Financial Management class like the ATD Academy? When was the last time they attended any formal Parts Management training? – **No. Never attended any management training.**
42. A computer system diagram with specific terminal equipment positions should be made and a flowchart of work routine should be made. Determine if the equipment meets daily needs and if the equipment is in the right locations. Is the volume of business at a level that requires more system hardware, or does it require less? - **It's at the correct level right now. We did buy another monitor for the parts counter for technicians to view.**
43. How much of the replenishment/daily order is manually adjusted? Does it exceed 10%? Who makes the stock replenishment changes, and what are the reasons for the majority of those adjustments? When was it changed last and by whom? – **5% is manually shipped. The parts manager makes the stock replenishment changes and most times the reason is because Audi comes out with new parts or because of lost sales. It was last changed yesterday by the parts manager.**
44. Is the trend of those changes in question #42 a positive or negative trend?  
- **positive**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? – **98% stock order from factory**

46. Where are the computer-generated management reports printed and stored are they used on a daily? (CDK MGR Report) How are the management reports utilized? – **These reports are used daily and are printed in the parts managers office. Ex. - 2213 report used for inventory discussed in daily debrief.**
47. Is the DMS Summary used to track inventory trends? When will you incorporate the DMS Scorecard that you learned about in class? Are there areas on the DMS scorecard that you couldn't find and if so who at the DMS is helping you to find those answers? – **Yes, daily. I started giving it to the parts manager in June.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) - **Monthly**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) - **Yes**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? - **Yes**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? – **Only the parts manager and counter advisors**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? – **Yes they are being tracked and anyone can log a lost sale.**
53. Who reviews the Lost Sales? When are they reviewed? - **Parts manager daily.**
54. Are emergency ordered part numbers reviewed to see if they qualify to be phased in? Is the Test/Non Stock/Watch feature of the computer system utilized to test which parts to stock (Phase In)? – **Yes**
55. What demand history does it take to place a part on the inventory stock order or in inventory? Time limit and quantity are generally managed by Vendor Managed Inventory systems? – **3 times in 12 months**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? - **we have no vendor managed inventory**
57. Are all parts sold by the department placed in the Parts inventory and then sold from the inventory? Do you stock any items that aren't in your inventory (Shop supplies, get ready, bulk fluids like washer solvent)? – **All parts are placed in parts inventory and then sold from inventory. There is an account for shop supplies, non-stock parts shop supplies.**

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? - **Verbal. The parts manager is responsible for this.**
59. Who files damage claims on parts shipments received? – **Parts manager**
60. Who receives parts orders, and how are they received? Is the original stock order transmitted to the factory cross-checked? What do you do about discrepancies? – **All advisors receive parts orders and the original stock order is cross checked with OE connection.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? - **Yes**
62. Who applies and loads the monthly price updates? – **Downloaded automatically from Audi (Price Appreciation)**
63. Are parts cost adjustments (monthly price updates, bin count irregularities and emergency purchases at more or less than OE cost) tracked by someone in the dealership or is a periodic inventory adjustment method utilized (like once a year)? – **Both. Tracked at month end and physically once a year.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? - **\$3000 credit**
65. Are all obsolete parts that are on the inventory physically in the store? - **Yes**
66. Are they separated into a special area to be controlled and tracked for sales history? Separate source? Change bin location by adding a J for easy identification by counter persons? – **Yes they are located on a separate shelf**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? - **Accounting**
68. Do the Parts, Service and Body Shop Managers along with the Office Manager/Controller together follow up on all Work in Process (WIP) tickets and verify that they are closed out in a timely manner? – **Yes, this is also reviewed daily**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? – **Yes, daily**
70. What is the months' supply of the inventory? Does this match the students calculations found in their FS Parts Excel template? Are too many parts stocked in the inventory based on this calculation? – **Current months' supply is 1.87 which matches and there are not too many parts in stock.**

71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? – **It shows 2.0 turns but this does not match the calculation.**
72. Is the inventory area large enough for the current level of business? Answers to this question can be obtained when the student does the FTFR (First Time Fill Rate) exercise. – **Yes, at this time the area is large enough**
73. Where are the Dealership’s policy and procedures manuals located and who handles the review with the manager and his employees? Who has verified that the manual is located in an area that allows for easy access? – **There is a copy in the parts managers office and the GM and parts manager review this together and with parts employees. The parts manager confirmed the manual is accessible.**
74. Is your Parts Department locked up each night? Who has keys? – **Yes it is locked each night. The parts manager, service manager, GM, and 2 advisors have keys.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? – **No, they do not. The parts manager has the drawer and balances it.**
76. Is there a policy in place for overages for the cash drawer/balancing? – **The parts manager works with accounting on this.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? - **Yes. The parts manager has access.**
78. What one thing can your organization do to help you do your job better? – **At this time I think the only thing our organization could do to help would be to consider more manufacturer programs that offer additional funds for the dealership. We get great support from the corporate level and always have someone readily available to assist.**