

Fixed Operations One Homework Assignment

The following are Excel exercises found in the Post Class Excel Template:

- 1.** Perform the First Time Fill Rate exercise on 50 repair orders. Do not include "One item oil changes", Special Ordered Parts repair orders, or factory recalls. Consider standing where the techs collect the parts from the counter. If they ask for 5 parts and they get all 5 then on that repair order the parts inventory would get a 100%. If they did not get all 5 to finish the repairs then the Parts inventory would get a "0" % (25 points).
- 2.** Complete the DMS Scorecard for one month. Be sure to color code the inventory conditions. (25 points)
- 3.** Complete the Post Class Action Plan. The Academy would recommend that you attempt a small problem rather than one that takes many months to complete. It needs to be very detailed and clear as to the necessary steps to correct the deficiency. (100 points)

The following are found in the Post Class Word Document:

- 1.** Have your Parts Manager answer the 78 questions provided in the Post Class word Document. This is a learning/understanding exercise. It is recommended that you answer the questions with the manager. Confer and provide suggestive actions. Change the color of the font to distinguish the answers. (50 points)
- 2.** The sponsor action plan verification form is on the word document. Copy and paste that form to be signed by your sponsor. Scan it to a PDF and place it with the Excel and Word documents prior to placing them into its drop box on your class site.
- 3.** These three files must be submitted to your class Dropbox site together.

Reach out if you have questions.

- 4.** There is a Post Parts Class Threaded Discussion that will be activated exactly two (2) weeks after your classroom session ends. It is due the Monday before your Service Class starts. You will be required to post the one topic that you came away with from the parts class that you have already activated or plan to act upon with the parts department. Once your peers start posting theirs you will be required to respond to at least three with points of clarification and reinforcement. This has a point value of (300 points).
- 5.** Finally: Best Parts idea needs to be posted to your class site Parts Best Idea Threaded Discussion. This should be an idea that helps control expenses or increases sales or gross profit. Please have all of them read just prior to your parts debrief the Monday of your Service Week. The class will ballot on the best idea at the 9:00AM break.

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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 dealerships source pricing levels reviewed for competitive maintenance and heavy repair? **Parts pricing is subject to review monthly as we follow the price updates provided by Chrysler. We have also implemented price matrix for CP orders.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **As a result of talking to new wholesale accounts we found ourselves to be the least expensive in our area as the other Chrysler dealers used price matrix on their wholesale accounts. To gain more accounts we do not use the matrix on wholesale .**
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. **I have compared our prices to the jobbers in the area. I feel we are very competitive on parts available from anyone. On dealer available item only I find some of our pricing to be very high**
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. **We have several different price codes, CP has the matrix added, warranty is set at cost + 40 Internals cost +50, Wholesale 20 % off suggested retail**
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? **Parts staff has access to discount as needed to make the sale. Service advisors must see parts personel for discounts. Parts staff always lets the parts manager know when discounts are being asked for.**
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)) **No our system allows for the cost to be altered when receiving a part into inventory**
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? **If a part is purchased from another dealer the cost is entered to match that of Chrysler if purchased from a jobber the cost is entered to match the invoice and part is sold as an aftermarket part.**
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? **Discounts on purchases are tracked on the weekly invoice. If we purchase using our proms we receive the part at the regular price and the adjustment is entered by accounting. This adjustment should be made monthly. In the past it has been applied to our year end inventory as a pick up.**
9. Do you have an internet presence for your parts department? **Yes we have an online store**
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? **Front counter displays, website advertising, online parts catalog.**

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? **We currently use one of the groups managers to promote all the dealers in our group. We had an outside person going around for the group and the cost verse the business did not support keeping him on**
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? **We have return allowance from Chrysler on our purchases .**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes we have our online parts store and we also have X time for customers to book for service**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Our promotions department update the site monthly.**
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? **Our personnel expense vs department profit is reviewed by upper management and is within the company guide lines. We have to cover off all our hours of operation with a limited staff. As a result we work as a group.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Yes we seek additional revenue, this is why we do wholesale and online sales. The service department is our largest source so we work closely with them to try and keep busy.**
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? **Every car purchaser is introduced to a business manager so as to allow them the opportunity to sell accessories and warrantees.**
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 do not review this weekly. If we notice a large amount of returns from any wholesale account we will discuss our options at that time. Since we are trying to grow our wholesale we go out of our way to capture the business since we have 4 Chrysler dealers within 20 minutes of our location.**
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? **In our local area we deliver threw out the day since we have a parts driver and access to 2 shuttle bus drivers. If we have deliveries out of our area we can contact our group and use one of their drivers as well. Our local area is within 40km (25 miles). Our major competition is Scarborotown Chrysler approximately 2. It would hard to beat in wholesale due to the extensive inventory they carry (over 1.5 M) plus extra room (warehouse) plus 6 delivery trucks.**
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?) **We ask for a bussiness card to set up new wholesale accounts and we no longer require tax exempt numbers as everyone has to pay our HST. Verification is performed by the parts personel.**

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.
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? **Accounting determines credit approval with the info provided on our application. Accounts are followed by the accounting department and a list is issued on a weekly basis of the accounts. If accounts are behind the parts manager addresses this.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **This is on a monthly basis**
24. What are the special parts ordering policies for SORs? Where is it written and posted? When was it reviewed and what level of management approved it? **Our policy is an appointment is to set up for ordering parts, if CP customer is to pay for part prior to being ordered. If the vehicle is staying we order on the work order and show it SP This policy was set up by the parts manger and the service manager with the general managers approval. This policy was issued in writing and emailed to parts and service personal. This was placed in effect June 1st after reviewing the special ordered parts still here after 30 days.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Yes we require 100% pre payment and we use parts invoices and service repair orders**
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? **After 60 days we remove SOP and place them into inventory with a code 7 indicating to be returned. The part may not be returned right away due to our return allowance. We do D2Ds with Chrysler to help get rid of aged stock. No return charge is made if the customer fails to show. Since all CP parts are to be pre paid now the customer should be returning. Unfortunately we can not have warranty parts prepaid. If a customer returns a special orderd part we do charge 20% restocking in most cases.**
27. Who are the parties that are involved in the SOP process start to finish? **Parts manager receives the part and informs the service advisor and the parts advisor in the mornings that the parts are here by issuing a report. Call center will contact customers if the advisor fails to do so when the open parts list is reviewed. Parts manager is to review the SOP bins.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **We use printed sheets with all the info attached**
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? **Special ordered parts are in the SOP area in bins located in the parts department. The advisor is to notify the customer. Parts manager determines if a part should be returned. The parts manager is responsible to look after the 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? **The parts are in regular inventory. A report can be ran to show non stocked parts**
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? **Parts counter people can order parts for resale. Any purchases other than that would need to be approved by management.**

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) **Director of Parts Operations for our Group.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Internal pricing policy is established with the Director of Parts Operations, General Manager and Parts manager. Majority of all internal purchases go 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) **Usually exceeds the financial statement amount.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
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)
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **N/A**
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) **Yes, employees are each tasked with separate duties and transactions.**
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? **Parts training is controlled by the parts manager, training is reviewed on an ongoing process as courses become available that are required. Training has not been part of the yearly review and 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? **Training records are kept on line with Chrysler. Our back parts person stays up to date with OE/Manufacturer training.**
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 the Parts Manager has not taken any Financial 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?
Equipment in the department is capable of handling the current work flow.
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? **Replenishment/daily orders are adjusted weekly when reviewing the ARO suggestions. The reasons for the changes can be seasonal or based on demand. Parts Manager makes the changes. Adjustments made this past Saturday (July 7th) by the Parts Manager when reviewing the recommendations.**
44. Is the trend of those changes in question #42 a positive or negative trend? **More on the negative side as we are trying to reduce our inventory.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **88%**

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? **Not kept long term**
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, I (GM) have already implemented 2 forms to help stop/avoid obsolescent parts. The Scorecard has definitely been helpful.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Inventory is adjusted as problems arise**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **No. Adjustments to minus stock is done when found.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **yes**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes- Parts counter people.**
53. Who reviews the Lost Sales? When are they reviewed? **Manager reviews all lost sales and emergency purchases.**
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)? **We track our emergency pick ups and will add to inventory if deemed to be needed.**
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? **Minimum of 3 sales in 6 months is my guide line for adding a part to stock.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **NA**
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 into inventory and then sold from inventory**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Policies are verbal. When a change is made it is communicated both verbally and in writing.**
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? **I (Parts Manager) receive the parts orders by scanning them into the system in the morning and I verify the order with the bill of lading from the depot after the order is received. Any discrepancies are sorted by me. Parts that are shipped to us threw out the day are received by any one of our parts staff. At the end of each week I check the orders of with the weekly billing from Chrysler.**
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? **Our Director of Parts Operations**

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)? **These are recorded constantly at time of purchase / or price change.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **Inventory was above what accounting showed. Used this as a pickup to our Gross Profits**
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? **We do not separate the obsolete parts. We do try and move them into source 7 for next return. Part numbers are not modified do to wanting to sell threw are D2D program with Chrysler. Sales history can be tracked by running a report.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **Work in Process reports checked by both Service and Parts management before closing each month.**
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? **No we do not meet with the controller to ensure that all WIP are done. The majority of parts invoices are closed unless awaiting a back ordered part and service closes the majority of their open orders at month end unless vehicle is still being worked on or has not picked up.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes**
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? **1.6 months supply averaged over the last 13 months**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **7.6 turns is the average over the last 13 months**
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, there is plenty of room in the department to add more parts if necessary.**
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? Our dealer group has been working on creating a manual that is consistent for all their dealers and it should be printed and distributed within a few weeks. Once completed it will be allocated for easy access to our employees.**
74. Is your Parts Department locked up each night? Who has keys? **Parts is locked up at night. Parts personnel have keys to open in the morning and I have the key to enter the building.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes the parts department has its own cash draw. It is balanced at the end of the night by who ever is closing and rechecked in the morning by the cashier.**
76. Is there a policy in place for overages for the cash drawer/balancing? **Not certain of the actual policy. As it stands now we keep any overages in the safe to offset a shortage if we find one.**

77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes we have security camera's. Roy , Rob (Service Manager) and upper management have access to the tape and back up.**
78. What one thing can your organization do to help you do your job better? **I could do with training so that I have a better understanding of what is expected**