

## **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.**

**Chris Bavis**  
**Crossin**  
[cbavis@nada.org](mailto:cbavis@nada.org)  
[ada.org](http://ada.org)  
**301-401-3301**  
**03-395-1570**

**Mark Michalski**  
[mmichalski@nada.org](mailto:mmichalski@nada.org)  
**443-801-7768**

**Brian**  
[bcrossin@nada.org](mailto:bcrossin@nada.org)  
**7037**

## 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? **Quarterly**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Maintenance parts are family priced to compete with aftermarket shops (ie filters/pads/rotors/wipers). Non maintenance parts are priced according to matrix.**
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. **Based on my quarterly research, our maintenance parts are competitive with market. When ordering parts from other dealerships, we note the prices other dealerships/aftermarket shops are charging and adjust accordingly.**
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 different pricing levels: Wholesale/Retail/Internal/Fleet/Employee/Municipal**
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? **We have PSD to monitor discounts daily. Daily reports reviewed and discounts over \$50 are provided to service manager to review.**

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)) **Yes. If an employee is caught adjusting costs-consequence is immediate termination without fail.**
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? **Discount orders are posted to inventory at factory cost- Profit/Loss goes to another account (1776B) on parts doc.**
9. Do you have an internet presence for your parts department? **Yes- one website for accessories (tied to new vehicle inventory/etc) and one for general parts orders.**
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? **Most of our merchandising efforts are tied to service and/or websites. Coupons/mailers/etc.**
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 have an outside sales rep for wholesale. The outside sales rep generates gross profit that exceeds his cost- especially when considering the “parts discounts” he helps generate by increasing our parts orders.**
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 co-op money that we use for the wholesale website, we purchase gifts for our customers (pens/pads/flashlights/etc), training meetings.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes our websites are compatible with smartphones.**

14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **We do not have parts coupons online- the manufacturer has accessory coupons online and we see those 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? **Parts manager does payroll every month. Pay plans are designed to yield a 45% net to gross.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Parts department is aggressively seeking to increase wholesale and customer pay with outside sales rep and focusing on stall efficiency, spiffs, and efficient stocking for timely repairs.**
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 preload all new vehicles with over \$1,000 in accessories. We also displays set up in showroom to upsell factory accessories during sales process.**
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. **Yes. Wholesale manager responsible for reviewing 2212 report/OE connection to determine customer’s true value.**
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? **We are one of the biggest GM parts wholesalers in the area. We can deliver three + times daily within 10 miles. We can deliver twice daily within 90 miles and once daily within 180 miles.**
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?) **Wholesale manager. Yes- Tax ID’s updated annually by office manager.**
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. **We have monthly expense meetings with executive**

**GM and market area vice president. Our largest controllable expense is people and stocking efficiency.**

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? **Manager and assistant manager.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Yes.**
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? **SOP are returned within 30 days upon receipt if not installed. SOP process was written in 2013 and posted on parts counter. GM approved.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Non stock parts require 100% pre-payment unless wholesale SOP.**
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? **30 days is the return time frame. 20% restocking fee but seldom used.**
27. Who are the parties that are involved in the SOP process start to finish? **Parts counterperson and manager has to sign off on any credits or returns.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes. Invoiced through DMS.**
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? **Parts are stored in SOP bins organized by last digit of part number. DMS and BDC notify customer of part arrival. Parts manager sends back after 30 days. BDC follows up with customer on SOP parts.**
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? **SOP inventory is run separate by bin location. SOP inventory reviewed daily in bucket meeting.**
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? **Any fixed asset required by parts has to be approved by GM. Any fixed asset over \$2500 must be approved by MAVP. HAG management co. sets and monitors \$ levels.**
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) **Assistant manager has purchasing authority if parts manager not available. General manager oversees parts manager and any issues will be addressed in monthly expense meeting.**
33. Who established internal parts pricing policies? **Are all internal purchases centralized and run through the Parts Department for control purposes? Market area vice president established internal pricing. Yes.**
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) **Parts inventory is higher than financial statement by \$42,284.34**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **N/A**
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) **Office could be missing invoices for parts purchases- invoices could be posted incorrectly or may be waiting to be posted.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **We do use LIFO.**
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) **Shipping and receiving is responsible for all but warranty returns. Specific counterperson responsible for warranty returns.**
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 manager and assistant manager are responsible for training new employees. All employees are trained daily- issues from previous day discussed with team daily. Annual reviews are conducted.**
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? **Manufacturer training must be completed quarterly. KPA training annually. Reynolds training completed when available.**

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? **Manager went to GM parts management training in 2016 in Raleigh.**
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? **We have the appropriate level of equipment and it is organized in an efficient manner.**
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? **Once or twice a week assistant parts manager manually adjusts RIM order. Definitely less than 10%. Most adjustments are declined orders for large parts that take up a lot of space that were sold once in past 12 months. We run about 98% compliant on RIM orders.**
44. Is the trend of those changes in question #42 a positive or negative trend? **Positive. All personnel has the equipment necessary to effectively do their job.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **Last month, \$72,731.62 of \$76,630.72 were factory purchases. 95% stock order, 5% emergency purchase.**
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? **Management reports are printed from DMS and utilized monthly. Manager looks for trends/shortcomings/outliers and adjusts accordingly.**
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? **RIM controls the majority of our inventory, however, we do review the RIM order daily to ensure it will provide appropriate inventory levels to meet demand while fitting in our stock.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **We do daily random bin counts and quarterly physical inventory for all bins.**

49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Not recently unless part of random bin count.**
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. Only parts manager and assistant manager can make plus or minus adjustments.**
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. All counterpeople can log lost sales.**
53. Who reviews the Lost Sales? When are they reviewed? **Parts manager reviews lost sales at end of every month.**
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. RIM does this.**
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? **RIM- DMS controlled.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **98% RIM compliant.**
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)? **Yes. We do stock shop supplies but most of them are in vending machines.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Verbal. Parts manager responsible for shipping/receiving policies and training shipping/receiving staff.**
59. Who files damage claims on parts shipments received? **Assistant 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? **Shipping and receiving personnel scans inventory and cross-checks against package slip. Discrepancies are documented on packing slip and assistant manager verifies shortage/overage and files a claim with manufacturer.**

61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes. Perpetual done quarterly, physical done yearly by outside vendor.**
62. Who applies and loads the monthly price updates? **Manager**
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)? **Periodic inventory adjustment once per year at year end.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **Last year we received a \$10,000 inventory gain.**
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? **Obsolete parts are re-binned for easy recognition.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **Service manager done weekly.**
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. We discuss these items in our weekly business meetings on Wednesdays.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes. We update a gameday daily to show our sales/gross/cp/warranty/internal/accessories/wholesale for monthly projections and YOY improvement.**
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? **Avg sales 1,144,000. Inventory 1,531,833= 1.33 mo supply.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **5.1 true turns. No, template says 4.7**
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. 98% of orders filled first day, 89% filled first time.**

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? **Policy/procedure manual is located in parts manager's office and is accessible to all staff.**
74. Is your Parts Department locked up each night? Who has keys? **Yes. All parts dept employees have a key. GM also has a key.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes. Lead counterperson balances drawer and assistant parts manager re-counts.**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes. Overage goes in safe in parts manager's office until reconciled by office to determine appropriate allocation of cash.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes in pro shop. Parts manager and GM have access to review.**
78. What one thing can your organization do to help you do your job better? **More transparency and education on expense control.**