

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. Please email all of the assignments to me at cbavis@nada.org and include your name and class #. Remember that this is due the Monday before your service class starts. This allows the instructor to grade it prior to your arrival. Good Luck. Reach out if needed.
4. There is a Post Parts Class Threaded Discussion that will be activated exactly two (2) weeks after your classroom session ends. It will be open for two weeks only. 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.**

***Dan (parts manager) is in red.

***I (Jessica Linus) am in green.

***Jim Linus (dealer) is in blue.

1. How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair? **Every 6 months-usually in January and June when we do our physical inventory.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **With the GM dealers, we're all standardized on the price. In our area we don't have a lot of GM competition other than Dyer and we have a good relationship with them so we check once a 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. When we evaluate it we know where we are in our competition. **This is a yearly thing unless someone says something about a part at which point we would double check it since we don't have an issue with price in this area.**
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. **Yes, the computer system does do that. When you set up a part and set it up in a source we have price level codes and those are adjustable. There are different codes depending on what you sell it at on the RO so the computer determines what price to set up. Ex. Warranty, customer pay, or wholesale and the computer knows by what they input.**

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 and yes. They cannot change the cost or zero out a payment. They have to have a pass-lock that only the parts manager (me) has.**
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. That is our price level codes that can be adjusted for certain customers to whatever we want.**
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. They are all costed at GM's suggest cost---what we pay for them--but they can be sold/listed out/wholesaled at different prices.**
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? **We track them every morning. I print it from Reynolds and it prints out everything that was sold, what the cost of the part was total, what you sold it at total, what the profit was, and the percentage of profit. We keep a running total and then they are filed monthly.**
9. Do you have an internet presence for your parts department? **On the website. All of our terminals have access to the internet. We show tires and prices on accessories. I think it would be a great idea to include more of the parts department not only on the website but also on our social media. We can extend the reach of our parts department through Facebook ads and content. Especially accessories! Ex. Travel racks for a Yukon or XT5 and making sure people know we have these accessories!**
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? **75% of what we do goes through the service department. The programs we use for mailers are what we use to push coupons and specials. Anything we do is always set up so parts will make a minimum of 25% profit.**
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 don't have an outside sales person. I go out and whatever I would generate I don't make a commission from so it doesn't really affect anything.**
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 do have merchandising dollars. They are built up by a percentage of what you order from GM. They give you 2% or 3% compounded on over each order and then at the end of the month you can see a total on the "lam". We use it on our returns and for body shop price matching. The balance for this YTD is \$5,458.67.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Yes. They are checked when the inventory is over in January and again in June with the physical inventory so twice a year. Shouldn't we be posting the coupons more often? How often are they used?** This should be a monthly thing particularly with parts that we have a surplus for-ex. Batteries or oil and accessories. Parts should help the dealership sell way more accessories than we sell now. Ex. Buy a GMC truck and get a free bedliner! Maybe the month of July every GMC Sierra sold gets a free bedliner sold. If they don't want that, they can have something of comparable value, like all weather floormats!
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? **That you'll see on the financial statement on the end of the month. It will show the percentage of gross profit and your expenses in the department total for uniforms, salaries, bonuses, shop supplies, ect. Versus what your gross profit is, take out your expenses and give you your net profit and then divide by the employees to see what each person is producing. This is only seen by whoever is looking at the bottom line of the department at the end of the month. That is how you know what you are selling and if your expenses are too high. You used to get in on Reynold and Reynolds but I think they took that off? Looked though it and said there is a place on Reynolds and Reynolds where you can find it if you're given access? I asked Dan if he had access and he said no. I asked if he got a copy of the financial statement or the part for his department and he said no. He pulled out an old financial statement that looked like it was out of the newspaper in the 70s. and said that he has this in his file as a reference.**
16. Does the parts department actually seek additional revenue or "live off" the sales of the service department only? If not why not? **We live off our own sales because we carry enough profit to cover our expenses. I think what they're talking about is wholesale. Dan should be going out every month and trying to get wholesale business and fresh accounts. Walk into a body shop locally here and ask where do you get your GM parts from and how often do they service you?**

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? **It is set up because when Walt was here he was really good (the F&I department will usually handle that—we have books there that show the accessories we can offer). We can show customers online or show them in the book. They can do it at point of sale or after-sale. We keep the newest and the latest one together and online you have access to everything by VIN number. There is a new manager now so I want to make sure this is still happening. Some accessories should be displayed in the sales department and service department in customer waiting areas. IDEA!**
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. **It does for a small dealership. Our prices are set up to cover our expenses for delivery. That's why we sell at 20 or 25%. If we were down south where there are so many different dealerships they would do 10% or 12% where they get into price wars.**
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? **No. We can't. Our biggest competition is from down south—the Wallace Group and Schumacher.**
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?) **Yes. Anyone who puts in for an account they have to give us a sales tax ID that we keep on file. All accounts are set up through accounting.**
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. **That's what we do. I have access to anything that is charged to my account-I know what my expenses are. The counter guys get paid off of gross profit and not net profit.**
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? **Larry sets the limits for the accounts and he gives me a copy at the end of the month when we're reconciling if there is someone behind and I contact them to find out why they haven't paid. It is very rare that we have someone who hasn't paid. I can override them but only to a certain extent.**

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **No. I would think it would be helpful to at least go over the parts department section-I will ask if this is possible. When I went over this question with the dealer, he did not seem to think it was necessary.**
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 if it's customer paid—its pre-paid be it on the counter or through the shop. Warranty it doesn't make a difference. I approved it and it's reviewed monthly. It should be on the bulletin board in the service department and I think there is a sign above the printer that says, "all special orders need to be pre-paid".**
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. We take no partial payments. No we don't differentiate if it's customer pay they still have to pre-pay.**
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 and yes we have to pay a return fee on them. If the customer pre-paid the part and comes back because they don't need it or return it we charge them a 35% restocking fee—that's what GM charges us (to cover it).**
27. Who are the parties that are involved in the SOP process start to finish? **Counter people (Mike and Chuck), and Andrew (warehouse person).**
28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes. It's right off the RO in the counter ticket-in the computer.**
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? **All parts that come in are located in the parts department in special order bins by name. The parts department notifies the service advisors on RO parts daily and the countermen notify walk-ins by telephone daily once they are received. We also send emails if the customer has specified they want to be emailed. I determine when to send the parts back—30 days later—unless the customer calls with a valid excuse as to why or other arrangements have been made. Yes-me-I follow up if they haven't been returned. IF we were a bigger dealership, someone in the warehouse would be doing it—but since we're not it's just easier for me to do.**

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 inventory.**
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? **For the parts department all the counter men and myself. \$5000. I do that and so does Maria in accounting.**
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) **No. Larry (comptroller)**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **I do. They are supposed to be but sometimes they are not because the used car manager has access to POs, new car sales management has access to POs too, and so does service manager. It's not controlled because everyone doesn't have to come to us to get a PO. If everyone did, we would know exactly what we were buying and what we are spending.**
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 is never less. It's hard to answer that because it will fluctuate because until you do a physical inventory or EOM reconciliation. My computer will show it's higher because everything we buy instantly goes into inventory and Larry's only goes in once the bills are in in a few days or the RO is closed. So the books don't match unless we match it with WOP. If mine ever shows something less than Larry's, I know something is wrong and I can go in and find out what.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **If I'm ever lower than Larry, there has been an input mistake, we're short something, or something is missing and we can find out why we're off. That's why we do this monthly.**
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) **Yes. It could be an input mistake, we could be short something, could be a pricing mistake, ect. We can find it by going in and looking at the 30 day posting versus a year.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **As far as I know we don't use LIFO. I want to double check this and get a definite answer.**

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. Both counter men can order, Mike can receipt, order, make adjustments, post transactions. Chuck can order, and both can bill parts out. Chuck can't receipt orders but he can receipt POs.**
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? **It's on Global Connect so as long as they have access to Global Connect they can check it themselves and it is checked monthly to make sure they are up to date. It's all done quarterly. I wonder what the thought would be behind some hands-on training. I have taken the sales and BDC manager training on Global Connect and although there is good information, it can hardly be considered formal training.**
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? **All of them have already had training but there is no refreshes course. The records are all in Global Connect and each person has to be compliant by the end of the quarter. I think it is important to review standards.**
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? **The last time was in 1981 or 1982! A long time ago. I'm pretty sure this is where he got the financial statement he referenced in his drawer!**
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? **Requires less really. Most everything they need to do they can do on one terminal.**
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? **Less than 10%-it's minute-probably 1-2% if we even have to do that. There is no reason to make an adjustment unless someone makes a mistake or posting error and I would handle it.**
44. Is the trend of those changes in question #42 a positive or negative trend? **A positive trend. It's not detrimental to what we do.**

45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **95% of what we buy comes from the 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? How many do I do? **They are printed in my office and stored in the warehouse in a filing cabinet. I do 6 of them daily-the invoice register, an aged inventory value, a negative on hand every day, work in process, monthly analysis, and monthly program qualifiers-which are the GM program qualifiers.**
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.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Only when it is necessary and an error shows up and we have to fix it. The only way we do an adjustment is if we found a shortage or have a negative on hand that can't be explained.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Yes. We do weekly cycle counts and count all of our bins in a 3 month period so our inventory is checked 4 times per year.**
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. There is a job that you can run daily transactions and you can see everything that was done. The only person that can do plus and minuses is me and Mike.**
51. **Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? Yes. Just the sales department.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes. The countermen or myself can log a lost sale.**
53. Who reviews the Lost Sales? When are they reviewed? **I review them at the end of the month. They come up on the monthly analysis.**
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 that is part of the set-up. The default when you put a new part in will go to non-stock.**
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? **Yes-Reynolds. We have it set up to have a demand for the part in 2 months out of the last 12 months. So if they have to ask for the same part 2 times or more in 12 months it's automatically phased in.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Right now it is 97.12% for this month (June).**
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. No because if they're shop supplies they're all ready billed to service departments shop supplies account so we don't have to keep up and inventory with them because they are pre-paid by service.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **They are written but we have to go in and pull them out of the computer. There are printed job descriptions. I am.**
59. Who files damage claims on parts shipments received? **I do.**
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? Mike or myself receive them through the computer. **Yes it is cross-checked. If we're short we go by GMs policy-we have to wait 24 hours and if it's short we'll file a short claim and if it's damaged we'll file a damaged claim.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes that is the cycle counts that we do quarterly.**
62. Who applies and loads the monthly price updates? **I do. Dan showed me the CD that GM sends that he inputs in the computer for an automatic pricing update.**
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)? **Depreciation-Larry does once a year. We run appreciation or depreciation of the inventory monthly and then I hold them and at the end of the year Larry will make an accounting adjustment depending on whether they're up or down.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **A plus of \$2,810.66**
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? **No, they are not separated. The computer gives us a bin location so we leave it on the shelf and it is not stored in a separate area-it is mixed in the inventory. We have no obsolescence anyways so it's good for us.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **I do. I do the WOP at the end of the month for both the body shop and service department.**
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. If something is out of whack Larry will go to the respective manager. The WOP at the end of the month shows you hold old a ticket is in each department.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **No. I don't get the financial statement. I get the month at a glance objectives and tracking from Larry in a condensed form.**
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? **3 months.** Yes. No. If anything it would be not enough.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **Right now it is 1.7. That means we turn our inventory almost 2 times a year.**
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.**
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? **They are here in my office on the shelf. I would handle the review with the employees and if there is anything to go over which never really happens it would be BJ or Larry.**
74. Is your Parts Department locked up each night? Who has keys? **Yes. Every night and I have a key and Mike has keys. And I'm sure Larry has a master set someplace.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **No. They do not. Everything is handled through the office.**

76. Is there a policy in place for overages for the cash drawer/balancing? **No because we don't have cash drawer-everything is done by the office cashier so Larry has procedures for that.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **No not any longer. We did when I first came here but no not now. The only security camera we have is the one in service that shows the parts in the showroom.**
78. What one thing can Linus as an organization do to help you do your job better? **One thing that would help us be more efficient is to have a terminal put in the warehouse. Right now everything we do has to be brought to the counter and put in so if we had one in the back on the warehouse we could do it right there to save a few steps and it would be quicker. This is definitely an idea I will bring to management.**