

## **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? **Every quarter**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **This is done randomly by anonymous phone call every 3 month**
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. **As of April 2018 we are with 21% of like parts in our market 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. **Our system is set up to adjust prices based on the type of customer. A retail customer will not pay the same as a wholesale customer for the same parts as an example.**
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? **An Exception**

report is ran internally on a weekly basis and externally by the accounting department on a monthly basis. Anything out of the norm is reviewed. Service has no ability to change part prices.

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)) **The Parts Manager is the only one who can change cost to below OEM cost. This will trigger a flag in accounting and if necessary, accounting will ask for a reason.**
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, all parts are posted at the same factory cost for inventory purposes**
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? **At this time, we have no discount pricing available through the manufacturer and we use very little non-oem parts on our cars**
9. Do you have an internet presence for your parts department? **Yes, through our OEM based website and through the dealer-based website. Both sites allow the requesting of parts from the parts department directly**
10. What type of merchandising programs do you have in effect? What is the relative cost versus sales generated because of the programs? **We use email campaigns and direct mail campaigns as well as signage and outside services to solicit new parts business.**
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 use an outside service for our outside salesperson. **At this time, we are looking at other options, as the cost has not been as fruitful as anticipated.**
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? **Yes and no, Parts must maintain preset parts purchasing levels in 4 separate part categories to qualify for marketing help. This marketing help does not come in the form of money but in collateral items available to the parts department at no expense.**

13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes, for the dealership, not for parts specifically.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Our parts coupons are checked monthly and updated as need at that time.**
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 by the GM on a monthly basis and any augmentation to those plans is done at this time**
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 pursue wholesale customers aggressively and offer discounts to all retail customers, along with spiffs to sales staff for accessories sale at the time of vehicle purchase.**
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 have colored custom brochures at the sales persons desk to show what accessories are available as well as display area located throughout the showroom to show customers what is available.**
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. **We split our delivery vehicle/personnel between 4 dealerships so cost is relatively small. We are limited on our wholesale opportunities with Porsche but capitalize on every one we can**
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? **At this time, we are starting to see some inroads against our competition in wholesale business. They have had a large head start on us in this area but though out 2-3 times a day delivery system and the service we provide we are closing the gap. We do not want to get into a price war however.**
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?) All applications and tax-ID verification is handled by our accounting office.

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. Pursuing reduction in expenditures is discussed with the parts manager on a daily and sometimes hourly basis.
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 department sets up all parts charge accounts with the credit limit determined by credit check, type of business (body shop need higher limits than mechanical shops). Once a week accounting sends a report to the parts manager and he can run the same report which shows accounts that are over their limit and/or behind on payment. At this time the parts manager would reach out to that customer and try to resolve the past due balance.
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? It is given daily and discussed once a week with accounting and myself, and the parts manager.
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? It is listed on every invoice given to the customer both in parts and service. Overnight's in service require adviser's authorization before part is ordered.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? If a usual customer prepayment is not required, if a custom part/vin# specific part then all parts must be pre-paid regardless. This applies to Retail, Wholesale and Service RO's
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? 10 days from receipt of the part is free to return after that manufacture charges 20% restock fee. We accrue a return allowance based on the previous month's parts purchases, which has to be used on a monthly basis with no carry over. A restocking fee is handled on a customer-to-customer basis.

27. Who are the parties that are involved in the SOP process start to finish?  
Parts Manager reviews what is being ordered and the Asst. Parts Manager submits the order. Once the part arrives, Manager or Asst. Manager checks it in. Then it is up to the ordering parts personnel to contact his/hers own customer. This does not apply to service customers as the writing advisor is given a list of arrived parts and is also emailed a list of arrived parts.
28. Are special order forms completed in a legible manner so that the customer information can be read? Always, they are digital, nothing gets ordered without one being completed
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? Service ordered parts are kept in a separate numerical based (RO#) area away from all other special order parts. The writing service advisor is responsible for contacting the customer to set up a time to have part installed. Once a month Service is given a list of remaining SOP parts still in parts. If no appointment scheduled after the second month the parts is returned to the manufacture. Parts manager handles all SOP tracking and notifications as well as returns.
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 parts are held in a separate location in 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 manager and Asst. Parts manager have control over the PO system. If a fixed asset is to exceed \$2000 then I will need to give prior approval.
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) Parts Manager and Asst. Parts manager have purchasing authority. Accounting, Parts Director and I oversee Parts Dept. Purchases on a monthly basis.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?

Parts Manager and I set internal prices and all internal purchases are ran through the Parts Department.

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 always has exceeded the financial statement.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **No issue of missing parts**
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) **We do build into certain item in the parts inventory a cushion to help offset any write off parts that may occur. These wright offs could be due to (non-returnable parts, obsolescence, etc, etc)**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **LIFO is not used, LIFO is calculated in Charlotte using a formula of their own.**
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) **We currently only have 2 parts personnel. Together they have over 70 years of parts management experience with 15 years of that being brand specific to this store. They both handle what needs to be taken care of on a daily basis with the Parts manager leaning a little more in inventory control and the Asst. Manager leaning a little more on the warranty return parts control.**
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? **The Parts Director handles all training of managers; Parts Manager is responsible for training within the department.**
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? **No physical records are kept but our DMS automatically requires completion of training before use of the**

system can continue. Our manufacture requires quarterly testing as well as bi-yearly workshop to maintain certification on their proprietary cataloging and ordering systems.

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? **He has not; last attended a parts management class was November of 2017.**
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 are at our 3-year mark in our new location and the computer systems and locations are at their current optimal locations.**
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? **OEM does not allow for any adjustment to our replenishment/daily orders. We can generate our own order in house to compliment the replenishment ordered but we cannot detract from it.**
44. Is the trend of those changes in question #42 a positive or negative trend? **They are positive; as we continue to grow, we continue to add needed parts.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **99.4 % from factory vs .6% emergency purchases**
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? **In the parts department and are used daily. This tool helps identify possible profit areas as well as areas of deficiency in both our pricing and our tracking of sales.**
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, we use the DMS to follow closely, turn ratios, and well as part phase in and phase out**

48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Our parts department conducts daily bin checks. These checks are both for quantity and pricing.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Not the top 50 as our parts department does perpetual inventory on a monthly basis. The top 50 part numbers are counted every month.**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **Transaction report is ran and reviewed every day. No one other than the parts manager has the ability to + or - inventory.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes, to both the parts manager and asst. parts manager.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes they are, and all parts personnel can set Lost sales**
53. Who reviews the Lost Sales? When are they reviewed? **Parts Manager reviews lost sales on a daily basis**
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)? **ALL emergency part purchases are reviewed for a "Why don't we have this" issue. Yes every two weeks we use the DMS to review "Phase-in" report.**
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? **Three individual sales in a 12 month period dictates we stock two if we see anything over that we will stock three. OEM has its own system that calculates phase-in based on number of units sold within a 3-month time and takes into count other OEM dealers in our market.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Currently we are at 110.1 for the month and 110.3 for the year**

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)? **We do stock all shop supplies in our parts department and all parts sold in the parts department are located in the Parts department.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Yes, all procedures for shipping and receiving are written and a copy given to parts employees. These are reviewed on a yearly basis.**
59. Who files damage claims on parts shipments received? **Parts Manager or Asst. Parts Manager file all claims, with the majority of those claims being handled by the Asst. 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? **Parts Manager or Asst. Parts manager. They are received daily and posted to inventory electronically. A in-house report is ran on all posted ordered for that day. It is used to cross-reference what was ordered against what was received.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **We do perpetual inventories on a monthly basis. We have an outside vendor do a yearly inventory.**
62. Who applies and loads the monthly price updates? **Price tapes are ran one a month by the Parts Director.**
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)? **Any adjustment to inventory counts and/or part prices are reviewed on a monthly basis by the parts director and the head of accounting. We also employ an accounting firm that reviews this quarterly for all stores.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **A \$487.00 overage was discovered at last inventory count.**
65. Are all obsolete parts that are on the inventory physically in the store? **Yes all obsolete parts are in the Parts Department**

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 have a separate source code and location.**
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, service director, GM and Parts Manager**
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**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Parts Manager runs this report himself 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? **43.3 day supply**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **3.1**
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? **In the parts department and we have a dealership coordinator who handles in store policy reviews. We also have classes twice a year to review and update those policies.**
74. Is your Parts Department locked up each night? Who has keys? **Parts is locked up and only management personnel have keys**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Parts handles its own cashiering and balances their draw every night with a once a week balance done by the dealership coordinator and accounting.**

76. Is there a policy in place for overages for the cash drawer/balancing? **Yes, it is recorded and all extra money is verified by parts manager and accounting and then sent to account.**

77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Several cameras monitor parts. Management, facilities manager and corporate have access to all recordings.**

78. What one thing can your organization do to help you do your job better? **As the department continues to grow, the addition of another employee will need to be addressed.**