

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 3-6 months by Sam Karver our service manager.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Constantly.**
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. **We do not use Surveys.**
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. We have them and review them monthly.**
5. Do you have in place policies and DMS controls (via Exception or Deviation Reports) to prevent counter people from changing the pricing structure during daily transactions? What about Service Advisors? **Yes, we do have policies and controls.**

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 there is.**
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? **We manually change the cost.**
9. Do you have an internet presence for your parts department? **Unfortunately, no.**
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? **None.**
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**
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, \$2368.54. There is nothing we can do. The amount is pre-set by Audi.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Not for parts, yes for sales and service.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Yes, they are checked and updated 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? **We do review monthly, and yes, we do have a sufficient profit.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **The parts department does seek wholesale business.**

17. Is a program set up to sell accessories to the customer in the sales department as well as the parts area of the dealership? If not, are you leaving potential sales and gross profit on the table? [Yes, we have a display area set up in the showroom.](#)
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.](#)
19. Do you study your wholesale market opportunity with the dealership's area of influence? Who's the major player and can you unseat them? Can you make a difference against your competition? Can you deliver 2-3 times a day? Within what mileage radius? [Yes, we pay close attention. We are the major player. We are working on that.](#)
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?) [The person that verifies credit apps is Lisa Armitage and Cindy our office manager makes sure that tax certificates are current.](#)
21. Discuss monthly expense control with the parts manager and identify specific areas under the manager's control. If expenses are allocated and not charged on a controlled basis, consider basing pay programs on sales or gross rather than net profit as part of the plan. [Expense control is discussed monthly during our financial review meeting.](#)
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? [Danielle Schler is the person who approves credit, Lisa Armitage verifies all credit applications, she interviews the references about the payment history and size of the account for each of the applicants.](#)
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? [Yes. It is discussed monthly.](#)
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? Special order parts are paid in full. It is on the parts invoice. \(all claims and goods must be accompanied this invoice 20% restocking fee on all returned parts No refunds on special order and electrical parts.](#)
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? [Yes, parts must be paid in full. No.](#)

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? **No set time. 20% restocking fee. No refunds after 15 days.**
27. Who are the parties that are involved in the SOP process start to finish? **Counter Warehouse and service**
28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes.**
29. Where are special order parts for the service department located? **There is a dedicated parts Bin.** Who notifies the customer the part is in? **Parts or Service depending on whether the part was a counter sale or part of an RO,** and who determines when to send the parts back if no response is made by the customer? **Jaime the parts manager.** Is anyone designated to follow up on SOP's, the lack of return? **Not a specific person. No.**
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? **Separate.**
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? **The counter people Edward, Brian , Manny, and Jaime the parts manager are all able to write PO's. There is not a set limit on fixed asset purchases but the GM is always involved with any large purchase decision. Jaime monitors open PO's**
32. Does anyone other than the parts manager have direct purchasing authority from outside vendors? Who oversees the Parts Manager? (Double signatures, Perusing the Parts Dept. purchase invoices) **Brian, Manny and Edward have purchasing authority. Tom Ditzig our GM oversees the parts manager.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Jaime establishes the pricing policy and yes all internal purchases are run through parts.**
34. Does the value of the parts inventory on the parts computer exceed, or is it less than, the financial statement dollar amount? (Monthly Reconciliation Exercise) **less. The number exceeds the financial statement dollar 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) 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) This does not necessarily indicate an abnormal condition, it is difficult to get 100% accurate numbers unless you are closed since inventory is constantly moving during the day. Corporate allows a 3% discrepancy.
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 not 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) We do not have a chart since we have pretty small staff. 1 manager, 1 driver, 1 warehouse, and 3 counter people.
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 manager Jaime and Service Manager Sam both review certification status. Yearly certification is required by the manufacturer and is part of the job.
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 transcripts are online for each employee as well as current progress toward certification for current year. Halo Training is online and DMS refresher training is set up so that it will block access to DMS unless it is completed.
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? Jaime has not had a departmental financial management class, but there is yearly instructor led training from Audi, halo, and spring fixed meetings with Hendrick.
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? Each employee has their own computer, equipment requirements are met.

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? **Yes it is manually adjusted by Jaime our parts manager because we do not have room for things like hoods and windshields that are recommended for inventory. Adjusted daily! It does exceed 10%.**
44. Is the trend of those changes in question #42 a positive or negative trend? **There are no changes required for question 42. For 43, the changes are positive since it indicates that we are growing, negative because we do not have the parts on hand.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **80/20 since we get stocked daily by the manufacturer.**
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? **They get printed on the parts printer. Yes they are used daily during our morning debrief meetings.**
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 found everything**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Daily.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Yes, those are checked monthly.**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **Yes.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Not 100% all counter people and Jaime the Parts Manager.**
53. Who reviews the Lost Sales? When are they reviewed? **Jaime reviews them monthly.**
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 and Yes.**

55. What demand history does it take to place a part on the inventory stock order or in inventory? Time limit and quantity are generally managed by Vendor Managed Inventory systems? *The demand history is 3/mo and is set by the parts manager. It used to be 4/6 mo.*
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? *We do not have a required amount.*
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 all parts are put into inventory. We do stock shop supplies.*
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? *They are all verbal Jaime reviews and updates the policy.*
59. Who files damage claims on parts shipments received? *Jaime does this.*
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? *The warehouse person Ray or Brian one of the counter persons comes in early when ray is off. Orders are definitely cross checked any discrepancies are claimed.*
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? *Yes. Absolutely.*
62. Who applies and loads the monthly price updates? *Jaime updates the pricing and Reynolds uploads the info.*
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)? *It is done once a yr.*
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? *March 2017 was the last one the next one is set for August 2018 after I get back from training. The adjustment was \$9735.66. There was a \$12711.54 overage in main inventory. Oil was over \$10323.09, Tires were short \$11632.40.*
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, there is not a separate source or J bin 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? Yvette our warranty admin.
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 they do.
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? Month's supply of inventory is 1.81, we do not stock too many parts. We would like to have room to stock more.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? True turn is 4.5 no does not match template. I got 6.7 on the template.
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. No, we need more room.
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? No manuals. Everything is online. Halo Hendrick Intranet
74. Is your Parts Department locked up each night? Who has keys? Yes it is locked up. Jaime, Tom Ditzig General manager, Joe Leal ROM, Edward, Brian, Manny, Ray, Geoffrey.
75. Do your Counter-people have a cash drawer? Who balances the drawer? Yes. Whoever closes.
76. Is there a policy in place for overages for the cash drawer/balancing? There really are not very many cash overages any overages are turned into accounting.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? Yes, all managers have access.

78. What one thing can your organization do to help you do your job better?
EXPAND!!