

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? **It is not done at our dealership in the parts department**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Looking into this**
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.
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. **Price codes are set up for each category. Retail is set at MSRP, wholesale is list minus 20% usually unless there is a specific situation, internal is set by the dealer principal.**
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 have an override exception report that is run every night. Service advisors have no access to change pricing in parts.**

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)) **We don't change the price of a part. We put it into inventory at MSRP.**
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 the same factory price.**
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? **The discount is tracked in a separate account 65500**
9. Do you have an internet presence for your parts department? **Yes, theres a presence on our website to look at parts but you have to call to purchase. There is also a separate website FordParts.com where you can purchase online from our store.**
10. What type of merchandising programs do you have in effect? What is the relative cost versus sales generated as a result of the programs? **There are mailers and coupons that go out. In parts, it is not really tracked because we have a very small parts department. Service tracks the use as a whole.**
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, it is not usually used in parts. It is used for service and sales.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes, we do**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Parts does not check this, service is in charge of the coupons**
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? **Accounting looks at the gross profit and expenses. The parts department does not look at it from the pay plan standpoint. The current profit is sufficient for the parts employees.**

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **They do seek additional revenue, but generally the majority of sales come from the service department.**
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? **There is not a program to sell accessories. They do try to sell but there is not a program they follow. We are probably leaving potential sales and GP on the table.**
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 try to sell to whoever wants to buy. We have a very small wholesale department and would like to grow it a bit. We don't really review the cost.**
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? **This is not something we do. We are not very competitive in the wholesale department in our area, we are very sales driven. It is something we should consider doing.**
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?) **Everytime a wholesale customer calls they get added to the system with their Tax ID. Every year they delete all the information so they are forced to get the new tax ID.**
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. **Pay plans are set at gross already. Not many large expenses besides payroll.**
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? **B2B- They fill out an AR credit application and the controller follows up. The parts manager makes sure payment is received and the accounting department follows up if they are late.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **No, something that should be started.**

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? **Parts Manager approves all the special orders. If it's an over the counter customer, if customer is willing to pay the freight then it is overnighted. Also, any customer special order is pre paid. If the car is in the shop, they overnight it so they can get the car out after the customer is given an estimate and they agree to do the order. If the car is leaving and then coming back, they ask for pre payment on the part.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **See above. All customer orders are pre paid, service RO is prepaid if the car is leaving the shop, but if the car is staying they give an estimate to the customer so they can approve it before ordering it.**
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? **They try to return them within 30 days for warranty. Pre paid parts are left in the shop until the customer comes for the part.**
27. Who are the parties that are involved in the SOP process start to finish? **Ordering the parts – Parts Manager and Parts Counter. Receiving the parts – parts driver. Posting the parts – Parts Manager and Parts Counter. Parts Manager gives list of SOP's to the Service Manager and Advisors so they know the parts are here.**
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? 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? **There is a shelf in the parts department for SOPs. The parts manager or service advisors notify the customer depending if it is customer pay or an RO. Parts Manager determines when the part should be sent back.**
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? **Yes, they are in a special bin/shelf called SOR bins.**
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 PM controls the PO system. All PO's are approved by the manager.**
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) Every check must be signed by 2 people in the accounting department. PO's are all approved by the manager. The parts counter has authority to order parts, but the PM will approve.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? The dealer principal establishes internal parts pricing.
 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 than FS
 35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) Need to perform
 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) N/A
 37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. N/A
 38. Is there an employee responsibility to function chart as was discussed in class? Are there specific inventory transactions (Grading, Ordering, Receipting, Posting, Adjustments, Bin Count Inventory, Returns, Cores/Dirty Cores) assigned to each of the employees in the parts department? (Functions vs Employee Exercise) There is not
 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. All employees have been hired this year, so they have not been reviewed this year. Will be reviewed annually.
 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? There is a training program monitored by the GM to make sure PM and counter people are up to date. It is specific for Lincoln parts employees.
 41. Has your Parts Manager ever taken a departmental Financial Management class like the ATD Academy? When was the last time they attended any formal Parts Management training? No, he is new employee. We are looking to see when he can take a training course.
 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? **They probably need more system hardware. Some of the computers are slow, which causes a delay.**
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? **About 10 % is manually adjusted. The PM makes those changes based on need/size of the part. It was last adjusted today by the PM.**
44. Is the trend of those changes in question #42 a positive or negative trend?
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **85/15**
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 parts, they are printed one or twice a month.**
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? **With such a small parts department it is not used too much, It can be used more often and should be updated for some numbers.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Every time they find an error**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Yes**
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, the counter people both took it**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **No**
53. Who reviews the Lost Sales? When are they reviewed? **N/A**
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**

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? **3 hits 9 months**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Not sure**
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)? **Most of them, but not all. No we don't stock items that aren't in inventory.**
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**
59. Who files damage claims on parts shipments received? **Parts Manager**
60. Who receives parts orders, and how are they received? Is the original stock order transmitted to the factory cross-checked? What do you do about discrepancies? **Parts Manager, every item is checked. If there is a discrepancy then they file a claim.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes**
62. Who applies and loads the monthly price updates? **The factory**
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**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **Unknown because this is a new PM**
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**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **The service 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? **The Service manager does that**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **No**
70. What is the months' supply of the inventory? Does this match the students calculations found in their FS Parts Excel template? Are too many parts stocked in the inventory based on this calculation? **1.5 months**
71. aWhat is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **Approximately 5 turns**
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, there is a big mess bc everything is so tight. It is hard to stay organized with the small area.**
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? **HR has access.**
74. Is your Parts Department locked up each night? Who has keys? **Yes, everything is locked up. PM has the main set of keys, there is an extra set of keys that Parts Counterman has.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **No, only the cashier has a cash drawer.**
76. Is there a policy in place for overages for the cash drawer/balancing? **N/A**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes, the dealer has access.**
78. What one thing can your organization do to help you do your job better? **Hiring another counter person so that the PM can do more managerial duties instead of having to sell and receive.**