

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 after class ends and will remain open until the Sunday before your service week begins. The topic is: What is the biggest challenge or obstacle that you think you will face in trying to implement actionable items that you learned in your parts class? This is a two-part exercise: Your first part is to post a substantial posting of 25 words or more outlining your challenge or obstacle. The second part is, you will need to respond to at least three (3) other students' topics with suggestions, observations, and ideas to help resolve their**

obstacles and challenges. To obtain full credit (worth 300 Points) you will need both parts, your obstacle and/or challenge post and at least three separate responses to your peers' challenges and/or obstacles.

- 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? *This is not done in our Parts Department. We use Matrix Pricing and it is competitive with other Subaru Parts Departments.*
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. *We are competitive with other Subaru Parts Departments. Some of our Parts are competitive with non-like manufacturers.*
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 need to work on our pricing to be more competitive with non-like manufacturers.*
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 pricing guidelines for retail counter, service department and employees.*
5. Do you have in place policies and DMS controls (via Exception or Deviation Reports) to prevent counter people from changing the pricing structure during daily transactions? What about Service Advisors? *We do not have policies in place to prevent counter people from changing prices. Service Advisors do not have access to change parts pricing. Service has to go through Parts and use parts tickets rather than Service.*

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)) **No. We want to make the full profit rather than losing a % of what it cost for us to buy it.**
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? **Costed at factory cost.**
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? **Yes. Accounting accounts, debit/credit. Coded then Accounting places \$ in the correct account.**
9. Do you have an internet presence for your parts department? **Yes. You are also able to buy parts online.**
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? **We do not use them.**
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, we have SAF funds. We do our best to spend all of the funds accumulated. We are the highest tier of parts discounts through Subaru.**
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 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? **Parts pay plans are not reviewed monthly. Pay has not been changed in years. The current sales level is providing a substantial profit for Parts employees pay. This is something we will now review to ensure pay is competitive.**

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **No. Service bills the parts out but not paid off labor they sell.**
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 use AOA. Salesmen are spiffed 10% of the accessories they sell. This has increased our accessory sales from \$15-20k a year to \$10-15k a month.**
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. **No. We stopped delivering and this shut down our wholesale sales.**
19. Do you study your wholesale market opportunity with the dealership’s area of influence? Who’s the major player and can you unseat them? Can you make a difference against your competition? Can you deliver 2-3 times a day? Within what mileage radius? **We are not even in the game. Tonkin is a major player and we would be unable to seat them if we tried. They are too large and can deliver same day.**
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?) **Parts does not worry about this. It is the responsibility of our Accounting department.**
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. **Parts do not receive expense reports. This is something we are changing.**
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? **Parts Manager sets credit limits, but the customer must apply and then our Accounting department verifies.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **No. This is something that we are changing.**

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? This policy is written, and it has been in place for 10 years. Our Parts Manager wrote this policy and it has been adjusted once, 5 years ago. Our GM approved it.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? SOP are paid in advance 98% of the time. We will not lose a customer over paying up front, but we do ask each time. We do not differentiate. Service and Parts contact their respective customers.
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? Once a week, parts close to 45 days old are sent back. Returns after 45 days results in a 30% re-stocking fee for SOP.
27. Who are the parties that are involved in the SOP process start to finish? All Parts personnel. Bill to the repair order.
28. Are special order forms completed in a legible manner so that the customer information can be read? Yes. The form is well laid out and legible. It is printed on a parts ticket from our DMS system.
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? SOP are located in the Parts department and bins are designated. Service notified the customer that the part has arrived. Parts determines when to send the part back if the customer has not picked up the part. It is every employee in the Parts department's responsibility to follow up on SOP's. Parts Manager approves 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? They are separated.
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? Our Parts Manager maintains this. Parts can buy any part that is needed for the job. Parts employees are not involved with asset purchases.
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) All Parts employees can purchase from outside companies, such as O'Reilly's. However, our Parts Manager is the only one who can authorize work from companies like Würth and Uline. Our Accounting Department oversees double signatures and invoices.

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Our GM. All internal purchases are run 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) **Very close but inventory can exceed GL.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **Bin count exercise, comparing invoices against the GL. Parts would rather the inventory value be higher than lower than the parts computer.**
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) **Bin count keeps this close to the true #. General rule from GL to actual is 1-3%. Inventory value less than parts inventory indicates losing \$.**
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.**
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) **Parts Manager posts inventory and purchase orders. Countermen add new part #'s into the system, process purchase orders, sell parts and maintain inventory.**
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? **There is no ongoing training. This is something we will change.**
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 are no records for DMS training of Parts Catalog. Every Parts employee has been at our dealership for over 4 years and is well trained on our DMS and Parts Catalog. There is Subaru training quarterly, unless something new is announced.**
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 attended Financial Management, but he has attended NADA's Parts week. He went in February of this year (2018).**

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? Our equipment is in the right locations, but we could afford new computers to improve speed.
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? Ours is manually adjusted but we maintain 97% utilization. Parts are seldom deleted, and we usually order the recommended amount. Our parts Manager is the only one able to do this and the process/replenishment policies are efficient.
44. Is the trend of those changes in question #42 a positive or negative trend? It is a positive trend. All computers operate the same and are consistent, while our Parts Manager's login provides him with more access.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? Our outside purchases and emergency purchases are both at around 1% each. The rest is stock order replenishment.
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? Reports are turned in at month end (month end analysis, WIP, etc.). Negative on hand prints automatically every other day and is used internally. Lost Sale report prints daily.
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? The DMS Summary is not used to track inventory trends. This is something we are changing. The DMS Scorecard has just begun being used in our Parts Department. We have been able to find all areas on the DMS Scorecard.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) Monthly and on written on the parts ticket for why.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) Yes on a regular basis, bi-weekly.
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? No. Counter men do not have access to make adjustments.

51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? Yes, everyone in the Parts Department has taken this quiz and they had a meeting discussing each question after taking the quiz. Of the four people, our Manager missed one and all three Counter-men missed 2 questions.
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? Yes. Everyone in the department can log a lost sale but only the Manager can remove one.
53. Who reviews the Lost Sales? When are they reviewed? Parts Manager reviews this daily.
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)? No. DMS registers sales and it is set to 3 hits. The part then becomes inventory through our Parts Eye system.
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 (sales or lost sales) are needed in one year to place a part on the inventory stock order. Time limit and quantity are automatically managed.
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? Parts Eye, Smart Co. are utilized completely.
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)? Everything is stocked into inventory.
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? Procedure is verbal. Parts Manager handles all shipping and receiving.
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? Packing slip is checked in and then the order is posted to our DMS system. It is then verified on Subaru Net. From there, new bin locations are added for new parts. Orders are sent to Subaru, they pull the parts & check the part. If there are discrepancies, they submit a claim to Subaru for the shortage or overage.

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? **Parts Manager.**
63. Are parts cost adjustments (monthly price updates, bin count irregularities and emergency purchases at more or less than OE cost) tracked by someone in the dealership or is a periodic inventory adjustment method utilized (like once a year)? **Monthly updates. Our CFO posts price changes with end of month paperwork he receives from our Parts Manager.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **The GL was increased. More \$ in Parts Department than GL.**
65. Are all obsolete parts that are on the inventory physically in the store? **Yes. If not, located on the property in another location.**
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. This is something we will change.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **Our Fixed Operations Director.**
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. RO's not closed report affects Parts inventory so our Parts Manager reviews this along with our Fixed Operations Director, Service Manager and our CFO.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **No. This is something we will change.**
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? **32 days' supply.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **11 for Subaru only. Our true turn for everything, including oil/filters is 9.**
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 but we currently have growth plans in place to expand the Parts Department and our Shop.

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? Online on the Ethos Portal. Managers are in charge of their department to ensure their employees complete their training. Training is refreshed quarterly.
74. Is your Parts Department locked up each night? Who has keys? Yes. Employees with keys are our Parts personnel, Fixed Operations Director and our GM.
75. Do your Counter-people have a cash drawer? Who balances the drawer? It is shared with the Service Department. A Service employee balances the drawer daily.
76. Is there a policy in place for overages for the cash drawer/balancing? Yes. This is between our Service employee who balances drawer and our Accounting Department.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? We have motion detectors for our alarm system but no cameras. This is something we will change. At this time, we are waiting to see if the county has approved our expansion to avoid double installation.
78. What one thing can your organization do to help you do your job better? Our Parts Manager would like to attend the Financial Management class through NADA. By understanding the financials and expenses better, he believes he can do his job better. This is something we will schedule.