

Fixed Operations One Homework Assignment

The following are Excel exercises found in the Post Class Excel Template:

1. Perform the First Time Fill Rate exercise on 50 repair orders. Do not include "One item oil changes", Special Ordered Parts repair orders, or factory recalls. Consider standing where the techs collect the parts from the counter. If they ask for 5 parts and they get all 5 then on that repair order the parts inventory would get a 100%. If they did not get all 5 to finish the repairs then the Parts inventory would get a "0" % **(25 points)**.
2. Complete the DMS Scorecard for one month. Be sure to color code the inventory conditions. **(25 points)**
3. Complete the Post Class Action Plan. The Academy would recommend that you attempt a small problem rather than one that takes many months to complete. It needs to be very detailed and clear as to the necessary steps to correct the deficiency. **(100 points)**

The following are found in the Post Class Word Document:

1. Have your Parts Manager answer the 78 questions provided in the Post Class word Document. This is a learning/understanding exercise. It is recommended that you answer the questions with the manager. Confer and provide suggestive actions. Change the color of the font to distinguish the answers. **(50 points)**
2. The sponsor action plan verification form is on the word document. Copy and paste that form to be signed by your sponsor. Scan it to a PDF and place it with the Excel and Word documents prior to placing them into its drop box on your class site.
3. Please email all of the assignments to me at cbavis@nada.org and include your name and class #. Remember that this is due the Monday before your service class starts. This allows the instructor to grade it prior to your arrival. Good Luck. Reach out if needed.
4. There is a Post Parts Class Threaded Discussion that will be activated exactly two (2) weeks after your classroom session ends. It will be open for two weeks only. You will be required to post the one topic that you came away with from the parts class that you have already activated or plan to act upon with the parts department. Once your peers start posting theirs you will be required to respond to at least three with points of clarification and reinforcement. This has a point value of **300** points.
5. Finally: Best Parts idea needs to be posted to your class site Parts Best Idea Threaded Discussion. This should be an idea that helps control expenses or increases sales or gross profit. Please have all of them read

just prior to your parts debrief the Monday of your Service Week. The class will ballot on the best idea at the 9:00AM break.

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Parts Manager Questions

Have your parts manager answer the **78** questions found in this zip file. Confer and provide suggestive actions. **(50 points) Provide your answers in a different color font.**

1. How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair?
 - a. We review pricing once a month and adjust as needed
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
 - a. On occasion we check prices , but the majority of our competition is out sisters stores, this is because we are a rural store
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.
 - a. We use GM's pricing structure to make sure we are competitive, the pricing guide is called OEC which generates the list price so that we are 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.
 - a. We have about 15 different pricing structures built within R & R , these are spread through out the different departments in parts as well as for different customers (internal , whole sale, counter, etc)
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?
 - a. Not at this time at the counter because they are paid on gross, but our service advisors are all locked out in the system so they can not give discounts

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))
 - a. No because GM sets the cost, unless you buy from the outside, or in bulk by supplying our sister stores and utilizing the discount
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?
 - a. Yes they are, cost will all stay the same no matter if it's one unit or in bulk
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?
 - a. We track the profit by looking at an account with in R & R (act 687)
9. Do you have an internet presence for your parts department?
 - a. Our parts department is on our company website where customers can order parts and contact the department, or on OEC where customers can search for who supplies the part locally
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?
 - a. At this point we currently have no merchandising programs in effect, besides trying to pick up additional wholesale accounts.
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?
 - a. We have one outside sales person who goes out once and month with a rep from GM , when he's not on the road he is managing our entire wholesale business
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?
 - a. GM provides factory dollars, that we use to send out Swag and holiday gifts to our wholesale customers , YTD we've spent almost 160K dollars
13. With the growing use of mobile smartphones by customers do you have a mobile ready website?
 - a. Yes our company website is very mobile friendly
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?

- a. Typically GM offers the coupons, we periodically will run our own in house, usually around the holidays
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?
- a. Pay plans are looked at 3 times a year when our consultant comes in for our department reviews
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?
- a. Because of warranty work decreasing and internal work , we are forced to seek additional revenue outside of the dealership, via wholesale and counter sales
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?
- a. Yes, we pay a percentage of mark up over cost to any accessories sold on a vehicle
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.
- a. All wholesale customers are reviewed monthly, we have four routes that our drivers run daily so delivery isn't a huge deal
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?
- a. We are currently trying to carve out a niche in the middle of our state, we have the two largest wholesalers in the county within an hour of us that will undercut us every chance they get
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?)
- a. Our President and Parts Manager verifies all customer applications to make sure they are good deals for the dealership
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.
- a. All expenses are reviewed monthly to make sure we are within all guide lines, if an issue comes up we discuss it to make sure it is taken care of. Our controller also watches all our expenses
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?
- a. Our president, Controller and Parts Manager will determine credit approvals, while our accounting department will send out a weekly receivable list to all our wholesale customers
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?
- a. Yes the Parts manager receives his portion of the financial statement monthly and we review it several times a year with our consultant
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?
- a. We send back returns 3 times a year, prior to a return all possible returns are put on to a list and sent to wholesale to see if they can sell it before being returned. It is written and posted at the parts counter and listed where its at in inventory. Parts Manager approves it.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?
- a. At this time we do not differentiate and do not require any pre payment at all.
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?
- a. We keep a SOP for 90 days until we think about returning them because the factory requires us to hold them for that long, and we do not charge the customer anything.
27. Who are the parties that are involved in the SOP process start to finish?
- a. It various on where the part is ordered but it can vary from the service advisor to the parts counter as well as our service BDC.
28. Are special order forms completed in a legible manner so that the customer information can be read?
- a. Yes they are done on a ticket which also have the customer number on them so they can be tracked through R & R

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?
- a. SPOs are located in the back of the parts department on their own designated bins. Either the service advisors or Service BDC will contact the customer to let them know their part is in. The Parts Manager determines when the SPO gets sent back, and no one follows up on the 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?
- a. They are always by themselves in their own bin.
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?
- a. A report is ran monthly to see how many POs are issued a month. Anything over 3000 dollars is sent to the Parts Manager for approval. The Controller monitors all of our dollar levels and POs.
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)
- a. Everyone in the parts department has purchasing authority to buy from outside vendors up to 3000 dollars then it is sent to the Parts Manager for approval. The controller monitors all of the bills and must be initialed by the Parts Manager prior to being submitted.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?
- a. Our internal pricing is based off of our retail door rate, so when customer rate is increased our internal rate is increased to match. All of our purchases are made through the Parts Dept so that all bills and expenses can be tracked.
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)
- a. Per the august statement our inventory in our DMS matches the 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)
- a. Our inventory matches so this question 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)
- a. 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.
- a. No Lifo is only used for our New Car Inventory
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)
- a. Not at this time, our Parts Manager currently handles the majority but a plan has been put into place to hire an assistant he can train to start passing off some of the work.
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?
- a. Besides HR giving a tour and doing introductions we don't have any training programs currently in place.
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?
- a. Parts Counter Employees and Parts Manager have to take the required GM training but records are not kept a report is ran to make to make sure everyone has their training complete
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?
- a. Our Parts Manager is new but has taken parts training through General Motors as well as with our GM rep.
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?
- a. Besides in our warehouse we have 12 terminals located through out the Parts department that are all actively used. At this time we do not have plans to add a terminal in the ware house because we have a phone that is hardwired to parts for someone to call back and inquire where something might be located.

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?
- GM's Rim program always try to unload more parts than what we need to stock, so we adjust as necessary for parts that we don't sell as often
44. Is the trend of those changes in question #42 a positive or negative trend?
- I would assume it would be a positive trend because it makes us more efficient for checking parts in and finding where inventory is stored
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?
- 75% factory 25% outside purchases. We try and do large orders for a better percentage rather than a bunch of single orders piece mailed together.
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?
- All reports are stored and kept with our controller.
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?
- On R&R the summary tracks the age of parts in total dollars but doesn't break it down far enough to individual parts inventory. I think ill incorporate the DMS scorecard when giving a snap shot of inventory the dealer as a quick way of showing what might become obsolete.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)
- If an error is found we adjust it that day, it is an ongoing .
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)
- Yes they are checked every day, because where selling so many (ex: oil filters) when stock gets low we will manually order to keep up
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 we are always comparing what we need versus what is being automatically ordered via GM RIM Account

51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?
- a. Yes it was given while we were attending class in September
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?
- a. All counter people can log a lost sale as well as track it in our DMS
53. Who reviews the Lost Sales? When are they reviewed?
- a. The Parts Manager reviews the lost sales once a week.
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)?
- a. GM's system will automatically phase in a part if it is ordered enough, the parts manager then reconciles it against the DMS to see how many we've actually sold.
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?
- a. The following day a part is sold GM Rim begins suggesting it for inventory. If it's a quick lane part you have to buy a certain percentage of them to qualify for extra kickback money from GM.
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?
- a. 94% as of 10/15/18
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)?
- a. No if wholesale buys something from the outside they do what is called an in an out sale so its no posted into inventory, every other department does sell parts after they've been posted into inventory. Yes we mainly stock bulk fluids and 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?
- a. Shipping and Receiving are all verbal if something would be updated it would be done by the Parts Manager.
59. Who files damage claims on parts shipments received?
- a. 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?
- a. Parts manager receives 5 orders a day, one truck in the morning, 2 fed ex, 1 ups delivery in the late morning than an additional parts truck in the afternoon. If there is a discrepancy the parts manager will submit a claim to GM that following day
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?
- a. Yes we do a complete inventory once a year
62. Who applies and loads the monthly price updates?
- a. Parts manager checks the price tape and uploads to the mainframe on the first of the month to reflect any price changes from 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)?
- a. Yes we run a monthly report because we are always tracking gross, if we see a cost has been adjusted we will talk with that person to find out why it has been adjusted
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?
- a. We were 18,000 dollars positive after physical inventory so no adjustments were needed
65. Are all obsolete parts that are on the inventory physically in the store?
- a. 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?
- a. Yes depending on what kind of part it is we will re-inventory it into a different bin. An Obso report is run every month by GM letting us know what they want back and what can be gotten rid of.
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?
- a. The accounting department runs the work in process status report and sends it to department heads who then reconcile the report making sure what is open is still valid

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?
- a. Yes a new report is generated monthly for department heads to review
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?
- a. Yes he is able to run his own report showing sales and gross, he looks at both parts and service 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?
- a. About 2.8 and yes it does match what Alex has, I think we have too many parts stocked as guide is around 1.5. But GM makes you buy in bulk in order to get the large discounts and kickbacks
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?
- a. True turn is 3.3 and yes it does match
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.
- a. Right now it is large enough but if we want to grow we are probably going to need more space.
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?
- a. All policy and procedure manuals are located with our HR manager. If we have a review at all our President and HR manager would handle the review.
74. Is your Parts Department locked up each night? Who has keys?
- a. Yes, parts manager and counter people. The dealer has a key to each department
75. Do your Counter-people have a cash drawer? Who balances the drawer?
- a. Only retail counter has a cash drawer, our internal counter parts guy balances the drawer nightly
76. Is there a policy in place for overages for the cash drawer/balancing?
- a. We write it down daily in case we ever need to reconcile for the count being off

77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?

a. Yes, all department managers have access to the back ups.

78. What one thing can Hendrick as an organization do to help you do your job better?

a. Until they open a store in Michigan, I don't see them affecting our business, as they are mainly down south.