

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? **Officially – never, but OPS and other sales staff share competitive pricing information continuously as they are made aware.**
2. Determine the written pricing policies at the parts department and see how competitive your Dealership is within your area. **There are Corporate GP% and pricing guidelines, but the local PM has the authority to change pricing for competitive reasons.**
3. Verify with the use of market surveys on selected parts prices in your area as to whether you are competitive with others. You don't have to be the lowest to sell more, but too little or too much profit can keep you from being competitive. **As stated in #1, we are constantly comparing our competitiveness. We are rarely the low cost provider, because we are the high service level provider. Keep an eye on this.**
4. Does the computer system you have follow one or more of the pricing guides for various types of customers? **Yes.** 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. **We are currently evaluating pricing strategies (evaluating or grading our wholesale customers to ensure they 'deserve' such pricing).**
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? **CDK provides exception and override reporting, which is reviewed and scrutinized daily and used as a coaching tool when necessary.**
6. What procedure is 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)) **All parts are entered in to inventory at OE cost. Any +/- variance is coded to inventory discounts/adjustment account.**
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 (see #6)**
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 take**

discounts “up front” in a Discounts Earned account. This way we show a consistent cost in the DMS

9. Make certain the selling mark-up to the other dealers of parts and parts you are purchasing from other dealers are not costing you profits. Do you use daily sales programs to encourage parts counter staff to sell more parts and seek additional business opportunities? **We do not use daily sales programs, but this is something we will consider implementing.**
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 have a mailer and posters placed throughout the dealership and parts showroom with current Parts Specials.**
11. Is an outside salesperson active in your parts department? **Yes.** 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? **Our Area of Responsibility (AOR) definitely supports having an OPS staff.**
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? **No longer available**
13. Do you use forecasting? **Yes.** If so what have the past two years of parts department forecasts been, and how do they compare to the performance on the financial statement for the past two years? **We forecast annually, monthly and weekly. Both 2017 and 2016 were behind projections**
14. Are daily, weekly, monthly, and yearly forecasts versus actual sales comparisons made? **Yes.** Who makes them? **Parts Manager.** If not made by the PM, who reviews them with the parts manager? **PM and GM review.** What goals are set to improve the sales, expenses, etc., and how often are they discussed? **Projections are discussed weekly**
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? **Our Monthly KPM measures Compensation to GP%. Historically, we performed better in this area. This measure is higher than normal for us because our GP is lower than normal.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **While the Service Department is important to the Parts Department, the Retail sales are the ‘bread and butter’.**

17. Is a program set up to sell accessories to the customer in the sales department as well as the parts area of the dealership? If not, are you leaving potential sales and gross profit on the table? **We do not do this, but this is something to consider.**
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, but we will start.**
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 have several competitors who can bet us on price, but we are the undisputed service level provider. We deliver where several of our competitors do not, and we deliver multiple times to our "local Chattanooga" customers (Chattanooga city proper). Need to get creative and maintain our position.**
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?) **In our industry, a tax exempt certificate does not necessarily mean the customer is a wholesaler. Trucking companies can have exempt status due to their ICC classification. We have both a "Wholesale" sales classification, and a "Wholesale" price level. I think both of these are probably not used properly. This is something for us to study.**
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. **We discuss at least monthly. New pay plan is structured around, Sales, Gross and Net.**
22. Who determines credit approval for parts customers and what screening system is applied? **Accounts Receivable and Credit Manager.** Who follows the receivables list in a timely manner to make certain payment is made by the customer without exceeding the account limits? **Accounts Receivable and Credit Manager**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Yes**
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? **We do not have procedures documented, but will be doing this soon.**
25. Do you require 100% pre-payment on these parts? **No.** Do you differentiate between Counter Retail/Wholesale and Service RO? **Yes**

26. What time is set to retain these parts and then initiate a return? **Weekly**. 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, but we do pass along re-stocking fees when possible.**
27. Who are the parties that are involved in the SOP process start to finish? **All employees with CDK ordering permissions can initiate. Closing occurs when SOR is received and billed to RO or Parts invoice.**
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? **SOR Shelf in Back Counter area (secured)**. 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? **Service Department Foreman is notified when SOR is received and they are responsible for having the part installed. 99% of the Shop SOR are for trucks currently in the shop awaiting the part(s).** Is anyone designated to follow up on SOP's, the lack of return? **A specific parts warehouse person is responsible for daily inspection of the SORs and properly initiating a return of they are aged.**
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? **SORs are binned separately. We have a SOR bin in the parts warehouse, and a separate SOR bin in the Back Counter area for the shop.**
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? **We have a PO System in CDK, but we are not currently using it I the Parts Department. This is something to review.**
32. Does anyone other than the parts manager have direct purchasing authority from outside vendors? **Yes. Parts personnel can order parts. PM oversees this process.** Who oversees the Parts Manager? (Double signatures, Perusing the Parts Dept. purchase invoices) **We do not have a check and balance system in pace to monitor the PM purchases. We should consider setting purchasing limits for parts personnel and PM**
33. Who established internal parts pricing policies? **Corporate**. Are all internal purchases centralized and run through the Parts Department for control purposes? **Yes, unless specifically otherwise authorized by GM**

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)
Varies by month
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) Controller provides Parts Inventory reconciliation monthly to PM and GM
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) Controller provides Parts Inventory reconciliation monthly to PM and GM
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). Parts management and GM will perform this exercise.
39. Who controls the training programs for the parts employees? Continuous Improvement Coordinator monitors training. When was it last reviewed? Reviewed monthly. Is it part of a yearly review with the employee and is it part of the employee's pay plan? Currently not part of pay plan. We need to spend some time reviewing the available training and developing a training track
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? We do have training records, and employees are continually training on DMS, PartsPro and OE training.
41. Has your Parts Manager ever taken a departmental Financial Management class like the ATD Academy? No. When was the last time they attended any formal Parts Management training? It has been a long time. We need to schedule some training.
42. A computer system diagram with specific terminal equipment positions should be made and a flowchart of work routine should be made. Determine if the equipment meets daily needs and if the equipment is in the right locations. Is the volume of business at a level that requires more system hardware, or does it require less? We are properly equipped at the retail and back counters, but may need to add (2) computers in the warehouse (mezzanine and o/s warehouse) for efficiency.

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? *We use auto-replenish through RIMPRO. We usually do a supplemental stock order of 20-30 lines. (About 10%-15%)*
44. Is the trend of those changes in question #42 a positive or negative trend? *Steady – neither up or down*
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? *According to the MARCH MGR report, we had ZERO Emergency orders*
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? *These reports are archived in DSDA. Parts Operation Manager reviews*
47. Is the DMS Summary used to track inventory trends? *Not currently used for trend analysis, but we will begin utilizing this.* When will you incorporate the DMS Scorecard that you learned about in class? *May, 2017* 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? *No.*
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) *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 – Parts Operations Manager reviews*
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? *Yes* Others in the dealership? *GM*
52. Are true lost sales being tracked in your DMS? *We are recording lost sales, but not diligently and accurately, so No.* Who can log a Lost Sale? *Counter people OPS and managers*
53. Who reviews the Lost Sales? *Parts Operations Manager* When are they reviewed? *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)? *Yes – DMS System monitors/manages this.*

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 in 12 months](#)
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? [94%](#)
57. Are all parts sold by the department placed in the Parts inventory and then sold from the inventory? [Yes](#). Do you stock any items that aren't in your inventory (Shop supplies, get ready, bulk fluids like washer solvent)? [No](#). [Non stock items like that would be in the Service Department.](#)
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? [Verbal. We need to document these procedures.](#)
59. Who files damage claims on parts shipments received? [Warehouse Manager or Shipping and Receiving clerk](#)
60. Who receives parts orders, and how are they received? [Warehouse personnel received using scan guns with oversight of Warehouse Manager](#). Is the original stock order transmitted to the factory cross-checked? [Yes, through CDK exception reporting](#). What do you do about discrepancies? [Warehouse Manager reconciles shortages etc with DTNA or shipper.](#)
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? [Yes](#). [Monthly "audits" or test counts are performed by accounting personnel and POM.](#)
62. Who applies and loads the monthly price updates? [Corporate](#)
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)? [Accounting monitors using CDK reports and adjusts these monthly.](#)
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? [Pick up in inventory of \\$22,644](#)
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? [Obsolete Parts are identified and separated](#)

67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? [Service Manager](#)
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? [SM, BSM and GM review the Open RO report and ensure WIP is not aging. WIP is currently under control.](#)
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? [Inventory/Average month COS=Months' Supply. March, 2017 = 2,425,355/1,103,937 = 2.2 months' supply. Does this match the students calculations found in their FS Parts Excel template? Yes. Are too many parts stocked in the inventory based on this calculation? Guide is 1.5 to 2.0, so this would indicate too much inventory, however we are stocked for a higher level of sales, which would should experience for the remainder of the year. Months' supply should be within guide going forward. April, 2017 months' supply was 2.06](#)
71. What is the true turn of the inventory? [Annualized sales from inventory \(no emergency\)/Inventory = True Turns. Mar, 2017 True Turns = 4.92. Does that match the students calculations found in their FS Parts Excel template? Yes](#)
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. [We need more space for staging shipping and receiving, but other than that inventory space is adequate.](#)
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? [All employees have a handbook.](#)
74. Is your Parts Department locked up each night? [Yes. Who has keys? PM, GM and Facility Manager. Employees have access cards which limit their access based on schedule.](#)
75. Do your Counter-people have a cash drawer? [Yes. Who balances the drawer? Counter person and Accounting staff – daily.](#)
76. Is there a policy in place for overages for the cash drawer/balancing? [Accounting personnel handle this process and follow the appropriate procedures if there are overages or shortages.](#)
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? [Yes - GM](#)

78. Have you discussed, reviewed and implemented the Student's MNOP process? We discussed, reviewed and implemented the process of eliminating SOR Received > 25 days (CDK Fast Lane). We had (900) in April. We now have (0) on May 15.