

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.**

Mark Michalski
mmichalski@nada.org
443-801-7768

Brian Crossin
bcrossin@nada.org
703-395-1570

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? **Quarterly, or depending on if I feel we are losing business because of pricing.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
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.
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? **I am the only person in the department who has the ability to change pricing. Parts counter employees can change price because of discounts, but I have a report I can check if I feel that it has gotten out of hand.**
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 have a process for that other than, costing based on a wholesale customer or another dealership.**
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, we stay very consistent with pricing.**
 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?
 9. Do you have an internet presence for your parts department? **Not really. Since we are a relatively new dealership, we needed to get other processes down first before we try an get into the internet business.**
 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 sell merchandise in our actual parts department. We generate some sales, but not a substantial amount.**
 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? **We do not have an outside salesperson trying to sell parts for us.**
 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? **We get a certain percentage back from the manufacturer assuming we purchase a certain percentage of our volume parts from them. The new system is also based on some things that service has to do. This has made us work closer together to get all the money that we possibly can.**
 13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **If our dealership is mobile, we are.**
 14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **I don't really check them. I have the guys check them in their spare time, but I don't really focus on this.**
 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? **I check their pay plans very often. I try and make it fair so all the guys can make a good living. Everyone is based off at least to some extent off gross. That way they feel like their work is making a difference at months end.**

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **We do quite a bit of wholesale. The service department certainly helps, but I think we do some on our own as well.**
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? **I don't think our sales guys push accessories very hard. We have some that we offer but I think we are leaving some on the table for sure.**
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. **Most of our wholesale customers are close enough that we don't really worry about the distance. I review this type of thing every time we think about adding a new wholesale customer.**
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? **Since we are still new, we are still trying to grow out wholesale customer base. Its not our main form of business, but I think we can continue to grow it to become more profitable.**
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?) **Most of our wholesale customers are well known within the community so it isn't really an issue.**
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.
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? **If our receivables start getting behind, I will get the customer to pay, and then we will stop extending them the line of credit if I see a continuous pattern of them not paying on time.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **I stay on top of the company financial statement and track it daily. I don't really discuss it with the team in depth, but**

- they start to ask towards the end of the month and I let them know how are looking,
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? **You have to pay in order for us to order it for you. I don't know that I have it written or posted anywhere, but the guys know this is how its done and we don't really have an issue with it.**
 25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **If its special order, its prepaid. No difference between the type of customer it is. We don't want to be stuck with special order parts that we can't send back.**
 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? **If you mean special order, we aren't able to return them to the manufacturer, which is why we get them prepaid.**
 27. Who are the parties that are involved in the SOP process start to finish? **Pretty much everyone is involved. Mitchell checks them in, and john and Jaime help make calls and will pull them for customers. Really whoever is available will help with the parts.**
 28. Are special order forms completed in a legible manner so that the customer information can be read? **Our scanner prints them off in bright orange so it's easy to find information.**
 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? **We have specific bins in the back set up for SO. Mitchell when he checks them in calls the customers, unless it's part of a RO, then the service advisor calls and sets up the appt to have the part installed.**
 30. See if special order parts are carried in a separate section of the parts inventory to maintain control. Or they inserted into the regular inventory? **Separate 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? **I admin the system, but all the guys on the team know how to write and use the PO system. Once they write it out, at the end of the month I check all the Pos and make sure they match up and are correct. I set the levels but the guys pretty much handle all of the day to day PO stuff. At the end of the month I reconcile all the POs to make sure they match up.**

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) **I talk to Chuck (the GM) about some things, but im pretty much alone to handle the department. Anyone on the team can sign for parts and POs as they come in though.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **I think the internal pricing has been set up the same way since I started here when the dealership opened 3 or 4 years ago. All the managers got together early on a set that price.**
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)
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
36. If the accounting inventory value is less than that of the parts inventory value does this indicate an abnormal condition? (If not, why?) (Monthly Reconciliation Exercise) **This could happen if the value of a part changes, or drops, and the accounting office isn't made aware. The values would then be different.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
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) **Everyone kind of does a little bit of everything on our team. As you know, Mitchell is our stocking employee, but he takes phone calls, deals with customers, and helps the techs. He does mostly stocking things, but is multi functioning.**
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? **I review their training. They tend to keep up with it pretty well, and I actually think they enjoy it. Because of that, its not too difficult to encourage them to do it.**
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 recently switched DMS so we got quite a bit of training when we**

switched. Also, whenever I learn something new, I pass it down to the guys so they are in the know as well.

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? *I've never taken a formal financial management class. Not in any recent time frame at least. I worked in finance in a previous life, so I'm pretty efficient with the financial part of things.*
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? *I think we are at an adequate level right now. We are growing, so eventually we may need more hardware. The amount of volume with things like engines, doesn't really require anything more than what we currently have. It gets busy sometimes, but if we get another, engine jack, it will end up just sitting there most of the time.*
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? *I look at what is on REM almost weekly to see if anything needs to be adjusted. Other than that, we stay pretty consistent on what we stock.*
44. Is the trend of those changes in question #42 a positive or negative trend? *We are growing, so eventually we will need more hardware.*
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? *I don't know the number right off the top of my head, but it is in the 80%.*
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? *I look at company DMS report daily. I don't normally print them out, but again, I use them 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? *I mostly use the factory statement they send us, and cross reference it the stock order that we were supposed to receive. (I have showed the Scorecard the manager and he liked it, and said he will give it try this upcoming month)*

48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Adjust daily if the manufacture statement is off from our statement.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **I have Mitchell check different bins daily. We stay very accurate in our inventory.**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **I wouldn't say they I check every transaction daily, but I would like to think I stay pretty in tuned with major parts that go out and in on a day to day basis.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **(I gave it the parts manager when I returned back from class)**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **I am pretty much the only one who tracks lost sales. The guys know to put "Lost Sale" on specific items if we don't have them, but I think I'm the only one who really knows how to look at the report and track it.**
53. Who reviews the Lost Sales? When are they reviewed? **(answered in statement above)**
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)? **I check out EP report at the end of the month and see if it something we need to start stocking.**
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? **I think there is a report to manage this, but I kind of stay on top of it, and ensure that we are stocking the correct parts.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?
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)? **Some shop supplies aren't in inventory, but the vast majority of everything else is in inventory so that I can manage it efficiently.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **I don't**

think I have them written anywhere. Everything is verbal. I have had the same time the whole time the dealership has been open, so everything is passed on by word of mouth.

59. Who files damage claims on parts shipments received? **Ill handle that by emailing GM and keeping the invoice for that part in a separate folder on my desk.**
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? **Mitchell received the parts in the morning by scanning them in. He cross checks the GM statement with the scanned in statement when he is done in the mornings. Any discrepancies are emailed to GM.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Mitchell checks a different bin or shelf everyday depending on if he is busy or not.**
62. Who applies and loads the monthly price updates? **Ill load them into the system.**
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)? **Any price updates sent to us through GM are updated right away. Any adjustment that need to be made after that are done on a monthly basis.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **Just did one (10/27/2018) we were 2200 short.**
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? **GM requires us to keep parts for a long period of time, so we don't have separate bins for obsolete parts.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **They would show in the work in process report that is ran every week by 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? **This is done mostly on the end of moth type basis.**

69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **I check our DMS which holds all that information 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? **Waiting on Manager Response**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **Waiting on Manager Response**
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. **Our inventory levels are at a good spot right now. As we continue to grow and expand we will have to keep a good eye on it.**
73. Where is 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? **I handle this department as far as reviews. I don't really do monthly or quarterly reviews I give feed back as the month moves on and help where I think we are lacking.**
74. Is your Parts Department locked up each night? Who has keys? **Everyone on our team has a key to the department. And whoever closes that night is reasonable for locking up.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **The Drawer is balanced every morning before we open.**
76. Is there a policy in place for overages for the cash drawer/balancing? **We figure out where we were off and if someone messed up, they have to handle the amount that we were off. If it is a large amount we call the customer and try and get payment over the phone.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **We have a security system that only Chuck (the gm) and myself have access too.**
78. What one thing can your organization do to help you do your job better? **Right now, probably nothing, we are running extremely well. We have the right people and I think we will continue to grow and do good things for the company.**