

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. When observed by the instructor in the drop box there should **be one Excel Template, One Word Document and one PDF**. 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.

Verification Form Regarding the Departmental Action Plan

Fixed Operations 1 Week Post- Class Homework Assignment

Dear Academy sponsor,

One of the post-class homework assignments given to your manager at the conclusion of week two at the Academy is the Departmental Action Plan form. The student's assignment is to show you the format of the assignment, explaining to you the purpose of crafting a departmental action plan after week 2 of the Academy. This assignment will be completed four separate times, (classes 2-5) after the student has attended the fixed operations 1 parts week, the fixed operations 2 service week, the variable operations 1 class week and the variable operations 2 class week. The progress of the student's departmental action plans will be assessed by each of the Academy instructors in weeks 2 through 5 of the Academy. Please sign this form below which indicates that the student has reviewed the departmental action with you, and have your student bring the form with them, when they return for their fixed operations 2 parts class. We will collect these forms at that time from the students. The student will receive a pass/fail grade, based upon whether they submit this form signed by you. This is being done in order to verify that each student has shared the Departmental Action Plan with their sponsor.

Thank you for your cooperation.

Sponsor's Printed Name _____ Sponsor's Signature
_____ Date _____

Very truly yours,

Mark Michalski
Academy Instructor
443 801 7768 cell
mmichalski@nada.org

Copy and paste this to a word document. Print that document. Have it signed by your dealer-sponsor so that they are in sync with what your action plan intent is and scan it to a PDF file and place with the Excel and word documents before placing into the drop box.

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? **We do not do this. The customer's pricing is set by their account when the unit comes through the shop.**
2. Determine the written pricing policies at the parts department and see how competitive your Dealership is within your area. **We do not have any current written pricing policies. Every pricing decision is made on a one at a time basis. We lead the OKC market in parts sales so we believe our pricing is competitive.**
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 get monthly flyers of the other OEM's to compare and adjust pricing.**
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, our system sets different pricing structures depending on the customer (fleet, wholesale, internal, service, ect...).**
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? **The counter can change the customer pricing as needed but the managers pull daily reports to monitor price adjustments.**
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)) **Only**

management and admin can adjust the cost of inventory. This is controlled by log-in permissions.

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 used our 478005 account to adjust for the difference in 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? We use our 478005 account to adjust for the difference in cost and take the difference to gross.
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 send out a daily sales update to all the salespeople and discuss the opportunity for upselling at that time.
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? Wheels and Deals publication that comes out every two months. We will also make flyers to push specials that we are running or if we want to go after a certain customer for specific parts. We have never tracked a return on the advertising cost.
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? Yes we have three outside sales people. The accounts as a whole pay for each salesperson. Our salespersons are assigned between 50 – 75 accounts each.
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 do not use any factory merchandising dollars and do not know if any is available. There for we do not know how much was spent or how to qualify for more expense sharing.
13. Do you use forecasting? 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? Yes, we do yearly budgets and then forecast monthly. The past two years we have been below budget and this year we are tracking to be ahead of budget.
14. Are daily, weekly, monthly, and yearly forecasts versus actual sales comparisons made? Who makes them? If not made by the PM, who reviews them with the

- parts manager? What goals are set to improve the sales, expenses, etc., and how often are they discussed? Yes, the accounting department produces a PvA report monthly. We review the budget vs actual reports monthly with the PM, GM, controller and EVP.
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? We review pay plans on an annual basis. We review and compare departmental gross profit and personnel expenses during our monthly operational review meetings. Yes, the current sales level is providing sufficient profit compared to the pay level of our parts employees.
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? Yes, only 31% of our parts sales come from the shop. The remainder comes from our retail and wholesale customers.
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? No, our sales department is in a separate building. There are not parts on display in the sales building but we do have our Wheels and Deals flyers advertising parts sales. We don't think there is any money being left on the table in the sales department.
18. Do you review wholesale customers weekly to see if parts sales dollars per customer and returns justify the expense of conducting business with them? For example, delivery 30 miles out of town to a customer ordering \$300 a month of parts at Cost+20% may not justify the delivery service. We do not review this on a weekly basis but we do periodically review all customer sales, returns and evaluate delivery logistics to make sure we are maximizing our resources and limiting expenses.
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? Yes, and our largest competitor is KW and they are too entrenched to unseat. We quote against KW daily and sometime win and sometime lose. We do deliver 2-3 times a day within 25 miles.
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?) Our parts manager determines who will be a wholesale customer. We define a wholesale customer not on tax status or resale but on the discount level of pricing.

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 expense control on a monthly basis in our MOR meetings and the parts manager control the semi-fixed expenses along with personnel expense. We are currently paying sales personnel off of sales and gross profit.
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? The credit department determines approval and they look at payment history through DNB. Credit also maintains payment history and lets the MP and GM know if a customer is not paying per terms.
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? Yes, monthly.
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 any policies for special parts ordering policies for SORs.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? We do not require prepayment unless it is a non-returnable item and do not differentiate on these items.
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? We do returns weekly so if the part is not sold, it is returned weekly. We charge a re-stocking fee of 15 – 25 percent depending on how much the vendor charges us.
27. Who are the parties that are involved in the SOP process start to finish? Technician, foreman, counter person, warehouse, accounting/clerical.
28. Are special order forms completed in a legible manner so that the customer information can be read? Yes, most of the information is entered on the computer and the spreadsheet is reviewed daily.
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 a specific locations for the shop, body shop and retail for all SOPs. The counter personnel both notifies the customer when the parts

- arrive as well as determines if and when the part needs to be returned. Our inventory control specialist is responsible for reviewing SOP's when he is reviewing inventory purchases.
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? We have a specific locations for the shop, body shop and retail for all SOPs.
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 accounting/clerical position administers and controls the PO order system and also monitors these \$\$ levels and total open PO's and open PO \$'s. \$999.00 is the dollar value of fixed assets that can be purchased without the parts manager getting higher approval.
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) Yes, all countermeasures on parts purchases and the warehouse manager, facility coordinator and GM on maintenance items and fixed assets. The parts manager is overseen by the GM, controller and the VP of parts operations.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? The parts managers along with VP of parts operations. Yes, all internal purchases are ran 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) The parts inventory on the parts computer is less than the financial 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) Inventory that is in WIP makes up the majority of the variance.
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) Accounting is higher than parts computer.
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) We do not use a formal employee responsibility to function chart but all the above functions are assigned to an employee in the parts department.
39. Who controls the training programs for the parts employees? When was it last reviewed? Is it part of a yearly review with the employee and is it part of the employee's pay plan? The parts manager along with the leads in each area of the parts department are responsible for new hire training. Each new hire is reviewed at 90 days and then annually to evaluate training requirements.
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? Yes, we keep records of all training for counter and OPS.
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? Yes, Brent has been to a Freightliner financial training class. Brent has never had any parts management 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? After making our diagrams and flowcharts we are very comfortable with the locations of computers and printers. We also feel our current equipment is suitable to meet our needs.
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? Our daily order is around 5% and is made by our inventory control specialist. Overrides on non-stocking items we the majority of adjustments. These changes are made daily by the inventory control specialist.
44. Is the trend of those changes in question #43 a positive or negative trend? The changes in #43 has a positive trend. Most of what we adjust are for items that are showing additional movement that we need to start stocking.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? 96% – 98%
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? The MGR is printed monthly and stored in the PM office. These reports are not used on a daily basis but are used for trend analyzation throughout the month.

47. Is the DMS Summary used to track inventory trends? When will you incorporate the DMS Scorecard that you learned about in class? Are there areas on the DMS scorecard that you couldn't find and if so who at the DMS is helping you to find those answers? No, we do not use the DMS summary to track inventory trends. We will incorporate the DMS Scorecard as a monthly review to make sure inventory stocking status is in line. I could not find the dirty core information and used another report we utilize to get that information.
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) Weekly cycle counts.
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, the PM reviews all plus or minus reports.
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? Yes, the PM and sales personnel were given this quiz during the parts class.
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? No, we track lost sales on a shared spreadsheet. All counter-men can log lost sales on this spreadsheet.
53. Who reviews the Lost Sales? When are they reviewed? PM and the inventory control specialist review this list 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, the inventory control specialist does this and the Test/Non Stock/Watch feature of the computer system is utilized.
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? Three hits in twelve months. Yes, RIMPRO and CDK manages this process.
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? 95%
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)? Yes, all parts sold by the

- department placed in the Parts inventory and then sold from the inventory. No, we stock all parts sold.
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? No, we do not have any written procedures for shipping and receiving. Our procedures are all verbal.
59. Who files damage claims on parts shipments received? Inventory Control Specialist and/or Warehouse 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? Shipping/receiving receives our parts at the back dock. Yes, the shipping documents are checked against the actual stock received to make sure all parts are received. If a part does not arrive then the shipping document is adjusted before the parts are posted.
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? Yes, we do annual physical inventory and monthly perpetual inventory.
62. Who applies and loads the monthly price updates? Freightliner has two price updates per year and CDK loads the updates automatically.
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)? These monthly adjustments are tracked and made by the controller.
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? Our last physical inventory was on 09/30/16 and we had a positive adjustment of \$8,900.00.
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 separated in a special area awaiting return. They do not have a separate source and we do not use a special identifier in the bin location.
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? The PM sends a list of the WIP to the counter person to check and verify the parts plus give an explanation of why the parts are not closed.

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? **No, these processes are done individually, not as a group.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **The PM runs the parts departmental income statement each morning and posts the sales and GP for his employees.**
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? **Month's supply is 2.3 for March. Yes, this matches the FS Parts Excel template. No, we should carry between 2-3 month's supply.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **True turns is 3.29 and yes this matches the students calculations found in their FS Parts Excel template.**
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. **Yes, we have excess area over and above what we are currently using.**
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? **Our Dealership's policy and procedures manuals are located online and the controller has a copy also. The controller handles the review with the manager and his employees.**
74. Is your Parts Department locked up each night? Who has keys? **We are 24/7 so no it is not locked up. There is no public access afterhours and the night parts employees have access.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Not during the day but the night counter person does. The individual in charge of the drawer balances and then accounting double checks the drop.**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes, the PM and the OPS manager.**
78. Have you discussed, reviewed and implemented the Student's MNOP process?

