

## **Fixed Operations One Homework Assignment**

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

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

**The following are found in the Post Class Word Document:**

- 1. Have your Parts Manager answer the 78 questions provided in the Post Class word Document. This is a learning/understanding exercise. It is recommended that you answer the questions with the manager. Confer and provide suggestive actions. Change the color of the font to distinguish the answers. (50 points)**
- 2. The sponsor action plan verification form is on the word document. Copy and paste that form to be signed by your sponsor. Scan it to a PDF and place it with the Excel and Word documents prior to placing them into its drop box on your class site.**
- 3. These three files must be submitted to your class Dropbox site together.  
Reach out if you have questions.**
- 4. There is a Post Parts Class Threaded Discussion that will be activated after class ends and will remain open until the Sunday before your service week begins. The topic is: What is the biggest challenge or obstacle that you think you will face in trying to implement actionable items that you learned in your parts class? This is a two-part exercise: Your first part is to post a substantial posting of 25 words or more outlining your challenge or obstacle. The second part is, you will need to respond to at least three (3) other students' topics with suggestions, observations, and ideas to help resolve their**

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

- 5. Finally: Best Parts idea needs to be posted to your class site Parts Best Idea Threaded Discussion. This should be an idea that helps control expenses or increases sales or gross profit. Please have all of them read just prior to your parts debrief the Monday of your Service Week. The class will ballot on the best idea at the 9:00AM break.**

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## Parts Manager Questions

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

1. How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair? *It was done about a year ago*
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. *Most items are the same pricing as other dealers in the 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. *I would need to know what type of parts we want to do a market survey on. If they are engines/ transmissions, we don't stock them due to the competitive pricing of a nearby wholesale powerhouse dealer.*
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 there are pricing structures set up in the DMS for different accounts.*
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? *The only controls set up in the DMS besides manually checking for exceptions is the system will prompt*

if you are trying to sell below cost if you would like to proceed it will highlight it in red if you sell below 20% GP.

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))  
The only times that there is a pricing deviation from factory cost is if the part purchased either has a discount on the part or if the part is an emergency purchase which costs more than dealer net.
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 the parts are inventoried at OE price schedule through the discount acct 687 when the invoice is turned in.
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? They are not tracked in the system. They are manually taken in accounting through the discount acct 687 when the invoice is turned in
9. Do you have an internet presence for your parts department? Yes, customers can order at Chevy.com and on our Main Motor website
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 merchandise tires on the service drive. All the tires are in stock and rotated as needed.
11. Is an outside salesperson active in your parts department? Are the sales at a level that “pays” for the employee or could the accounts be maintained on a part-time basis by the manager? No active outside salesperson at this time
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? All merchandising dollars available from the factory are used for service within the dealership with programs set up from GM to help with customer experience.
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? Yes
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? The only online parts coupons that are offered on the website are current certified service specials GM is offering.

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? [This has recently been evaluated and we are above benchmark for GP per employee in parts. We also compared our pay plans to NADA guides and local market averages.](#)
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 have a small commercial account revenue stream, but the dealership truly focuses on making sure the parts department is serving our service department to the best of its ability.](#)
17. Is a program set up to sell accessories to the customer in the sales department as well as the parts area of the dealership? If not, are you leaving potential sales and gross profit on the table? [Yes, we have a dedicated accessory sales person.](#)
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 review has only been done on a customer by customer basis when a problem is noticed with returns or a discount structure.](#)
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 not focused on increasing wholesale due to Suburban Chev being in our market – they are the 3<sup>rd</sup> largest wholesale parts dealer in the US. They are extremely aggressive with their pricing, and often offer parts below cost.](#)
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?) [Currently the Parts Manager okay’s any new wholesale accounts, requiring a completed tax ID form.](#)
21. Discuss monthly expense control with the parts manager and identify specific areas under the manager’s control. If expenses are allocated and not charged on a controlled basis, consider basing pay programs on sales or gross rather than net profit as part of the plan. [Parts Manager is aware of most expenses under her control, but has limited knowledge of other expenses that affect the bottom line.](#)

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? [Controller sets up credit accounts. Accounts receivable takes care of payments.](#)
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? [Financial statement is provided to Parts Manager, with limited available information](#)
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? [Special order parts policy is posted at the parts counter. It was last reviewed in November and was approved by the Parts Manager.](#)
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? [We require 100% prepayment on special order parts over the counter. Service dictates if they require prepay on RO's, and most wholesale accounts have charge accounts so we collect when the part arrives in store.](#)
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 give a 60 day period of time for parts to be picked up before a return is initiated. Yes a return charge of 35% that is charged by GM is passed on to the customer.](#)
27. Who are the parties that are involved in the SOP process start to finish? [Customer, service advisor, parts counter, parts receiver, and technician](#)
28. Are special order forms completed in a legible manner so that the customer information can be read? [There are no special order parts forms that are completed besides setting up the order in the DMS with any necessary comments.](#)
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? [Special order parts for the service department are located in the special order parts area by last name, the advisor informs the customer that the parts are in and parts informs the advisor when the part will be sent back. Parts and service advisors follow up with each other to follow up on SOP's.](#)

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?  
 Yes, special order parts have their own shelves sorted by customer last name.
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? All parts team members have access to create a purchase order and reconciliation is done by the parts manager. There are not any parameters set up for approval over a certain dollar amount.
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 any parts team member can direct purchase from outside vendor. Parts Manager verifies afterward and accounting verifies after parts manager. No double signatures.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? We decide on the markup as a team. Recently changed percentage to 41%. Not all purchases are ran through parts some are purchased directly and billed to stock number
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) Currently the parts inventory report exceeds 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) 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) The accounting value is currently less than the parts inventory. They reconcile monthly with accounting and catch any miscalculations and adjust quarterly. The variances have been minimal from accounting to parts inventory each quarter.
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. LIFO is not used for parts 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) [Delegate tasks as necessary.](#)

39. Who controls the training programs for the parts employees? When was it last reviewed? Is it part of a yearly review with the employee and is it part of the employee's pay plan? [There is no formal training set up for parts department team. The Manager assigns the team member to another person in the department when they are trained and gives them a step by step sheet on how to do certain tasks.](#)
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? [Nobody in the parts department is set up to do any formal training except the parts manager.](#)
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? [The parts Manager has not taken any sort of financial management classes.](#)
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? [There are 5 terminals at the parts counter as parts lookup and 1 at the managers station. Workflow is about perfect for the amount of terminals.](#)
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 submit one replenishment order per week for non-rim parts.](#)
44. Is the trend of those changes in question #42 a positive or negative trend? [If there are any adjustments it is usually a shortage on the order.](#)
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? [Needs to be tracked better.](#)
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? [Print on the 1<sup>st</sup> of each new month to review metrics.](#)
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? [Print annual activity and benchmark trend report.](#)

48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) [This occurs 1-2 times a week. Parts manager researches to find out if he can pinpoint where the problem originated.](#)
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) [The parts department runs bin counts every week and makes it through the department about 3-4 times a year for a physical 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? [Yes, the adjustments that are made are reviewed by the parts manager for accuracy.](#)
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? [Yes to the parts manager and the countermen.](#)
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? [Some lost sales are being tracked. Anyone in parts can track a lost sale.](#)
53. Who reviews the Lost Sales? When are they reviewed?[they are not being reviewed right now.](#)
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)?[Emergency purchases are tracked as a sale just like any other part and phase in phase out parameters are followed by GM recommendations and verified by the Parts Manager.](#)
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? [This depends on the strata the part is in with GM. Fast moving parts like air filters can take just one sale to phase in while others can take 3 or more.](#)
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? [94.85%](#)
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)? [There are items in the parts department that are shop supplies that do not get an inventory value. There is also LPS's and some other items in parts that do not get inventoried.](#)

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? [There is a procedure sheet in the receiving area with written step by step instructions for stock orders.](#)
59. Who files damage claims on parts shipments received?[the 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? [There is a dedicated person who checks and scans all parts in. We mark discrepancies on the packing list and file claims with GM.](#)
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? [Yes a perpetual inventory is done on average 3-4 times a year plus a physical.](#)
62. Who applies and loads the monthly price updates?[Price updates are automatic and verified by the parts manager and accounting.](#)
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)? [They are not tracked, but they are verified. If there is a bin irregularity it is verified and adjusted by the parts manager. Cost differences are also verified and adjusted by parts manager and A.R. member.](#)
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? [Since our physical inventory there has been two minor adjustments. Within about \\$2500 on \\$550K.](#)
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? [No they are not in a special area, the parts manager prints a report monthly to see where they originated from.](#)
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? [Parts Manager checks the invoice work in process and the service manager verifies the repair order work in progress.](#)
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? [The controller get the department heads to clear up the WIP.](#)

69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **No, there is not a DOC distributed.**
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? **2.02 months supply of inventory Yes**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **True turn is 6.03the student came up with 5.2.**
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. **Based on our FTFR it look slike we can stock a a wider selection of parts. I think we have a large enough area to carry more breadth of parts.**
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? **We currently do not have a procedures manual for the parts department, but we do have an employee handbook that everyone signs off.**
74. Is your Parts Department locked up each night? Who has keys? **Yes, parts department employees and on duty sales manager.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **No, the cashier.**
76. Is there a policy in place for overages for the cash drawer/balancing?**N/A**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes, management.**
78. What one thing can your organization do to help you do your job better? **Support my department and continue to make decisions as a team.**