

## 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 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 Microsoft 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. All of these files will be submitted to your class Dropbox (more instructions on this below).
4. There is a Post Parts Class Threaded Discussion that will open after class ends, You will be required to post the one topic that you came away with from the parts class that you have already activated or plan to act upon with the parts department. Once your peers start posting theirs you will be required to respond to at least three with points of clarification and reinforcement. This has a point value of **300** points.
5. Finally: Best Parts idea needs to be posted to your class site Parts Best Idea Threaded Discussion. This should be an idea that helps control expenses or increases sales or gross profit. Please have all of them read just prior to your parts debrief the Monday of your Service Week. The class will ballot on the best idea at the 9:00AM break.

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## Parts Manager Questions

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

1. How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair? **A new price tape is loaded in our DBS each quarter from Paccar, Cat, & Cummins.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **I feel we are competitive with our price levels on established accounts for our AOR. We are a little high on (cash) non-account customer.**
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. **Need survey**
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, we have four preset levels that we can modify to fit a customer specific account.**
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? **Yes, the controls are in place for both Parts & Service.**
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)) **System allows you to override cost at any time.**
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? **No, we post cost independent on each supplier, order type & source.**
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? **Take as upfront money and apply to financial statement (Line 489) as discounts.**

9. Do you have an internet presence for your parts department? **Yes, we have a link to OPC (Online Parts Counter).**
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 coupon offerors from our OEM 30% gp**
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? **Not all of our salespersons pay for themselves yet, but are on a path to grow our business to the point that they would generate enough profit to pay for their total cost.**
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? **Yes \$1,500 per store per year. No additional funds or programs available at this time.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes, our OPC works great with the WH app.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Monthly updated and check monthly**
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? **Annually reviewed, but looked at every month by Manager & Salesperson.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **I feel we do a good amount of sales outside the Dealership.**
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, but I believe we could do a better job in this area.**
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, we could do more frequent cost analysis, and would undoubtedly make some discoveries.**

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, we are understanding of our placement in the AOR and are a strong contender, but need to make improvements to become a "Major Player". I feel our delivery schedule and radius covers our AOR & demand well.**
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?) **We don't have any real wholesale customers, but Paccar manages the Fleet Accounts. Yes, our tax forms are up to date and well maintained.**
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. **I believe that we do a poor job of going over monthly expenses, and could do a better review each month.**
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? **Accounting and all Dept Mgrs review on a regular or as needed.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Not often enough to make an impact.**
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? **Our SOR policy need to be re-written and then reviewed with our counter staff.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **We don't but should & need to come up with a better way of shop parts request confirmed ordering also.**
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 have a 30 day written policy on our invoice, but rarely enforce this depending on who the customer is and what the part usage is.**
27. Who are the parties that are involved in the SOP process start to finish? **Counter Person orders the part on a pick ticket and how they would like the part ordered. Inventory Controller (Dirk) places the order.**

28. Are special order forms completed in a legible manner so that the customer information can be read? **All information is put in to our DBS, and yes it is viewable by all need parties.**
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? **Shop has a shelf, Parts will ultimately make the decision, but will communicate with the Service Manager before returning.**
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? **Regular inventory, but can be set in a special bin (SOP) if needed.**
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 don't have a limit set, but are able to check with the controller (Doug) if we need to make an extraordinary buy.**
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) **We don't have a limit to who could can buy inventory, but do have an Inventory Controller who helps monitor.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **The internal pricing was set up and agreed on by the controller, owner, and parts managers. Not everything is run thru the Parts Department, because of lack of margin available in a slim deal or Sublette because of other department involved.**
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) **This constantly is changing up and down, but is not reconciled every 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)
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)
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **I don't believe that we use LIFO in our 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) **Yes, these duties are split between Parts Manager & Inventory Controller.**
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? **This is an opportunity for us to do better in this area. We don't have a clear training path or incentive plan for our training, but have attempted a few ways of pushing this out.**
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 took on a new DMS about 5 years ago, and have not done any ongoing training. Paccar training is updated & reviewed each month by the Parts Manager and went over with the staff.**
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, our Parts Manager is an ATD Graduate (ATD class 025). Just webinars for formal training ongoing, but would be interested in new opportunities.**
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? **Our Equipment fits our current business demand.**
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? **No, our MDI acceptance is up around 96% but is managed by inventory controller (Dirk) and changes are made by MDI to reflect**
44. Is the trend of those changes in question #42 a positive or negative trend? **No impact at this time.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **We have a very high percentage (high 90s %) but is misleading because we pick up our parts at the PDC.**

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 not printed regularly, but are backed up on our server.**
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?
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **The adjustment are made at the time of discovery.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **This has not been done since total inventory December 1<sup>st</sup>.**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **These are viewed by the Parts Manager multiple times per week, but not every day.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes, this was a great conversation between the Parts Manager & Parts Staff.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes, our DMS has an easy lost sale report and allows any parts employee to log a lost sale.**
53. Who reviews the Lost Sales? When are they reviewed? **The lost sales are directly uploaded to MDI twice per day.**
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)? **We don't do a good job of this, but it is recorded in our DMS, and records the sales history.**
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? **Need to have demand of 3 in 3 months to become automatically stock and will phase out in six months with no demand.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Our MDI managed inventory is just under 80%.**
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, everything with the exception of a few small fasteners.**
- 58.** Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **At this time it is all verbal, but we are working to get this written now.**
- 59.** Who files damage claims on parts shipments received? **This is done by the Parts Manager at this time.**
- 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? **The orders are received by different Parts persons every day, but they are check in**
- 61.** At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes, these numbers are reconciled after physical inventory has been completed.**
- 62.** Who applies and loads the monthly price updates? **This is done by Doug Bennitt**
- 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 are monitored daily thru email reports viewed daily by parts manager.**
- 64.** What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **We were long in Parts, Clean Cores was a wash, and short in Dirty Cores.**
- 65.** Are all obsolete parts that are on the inventory physically in the store? **Yes, with the exception of a few open gasket kits, that hold no other value for returns, but may be used to help a shop job.**
- 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, our obso is mixed in to our standard sources & normal bin locations. This is mainly done so we don't miss the opportunity to sell or miss it on a return.**
- 67.** Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **This is reviewed by the Service Manager, and controller.**
- 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? **Not on a regular schedule, this could use improvement at our location.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes, this is sent thru an auto report via email.**
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? **Inventory is setting at 1.9 supply on hand. Not sure what the currant calculation is.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **I believe we are at or around eight turns, but we also pick up at our PDC daily.**
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, I believe that our inventory area matches our current level of sales, but not much room for growth.**
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? **This is out dated and we have an opportunity to do better in this area.**
74. Is your Parts Department locked up each night? Who has keys? **Yes, it is locked up, but have second shift techs that have a key for parts.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes, we do have a cash drawer and is balanced by Rene.**
76. Is there a policy in place for overages for the cash drawer/balancing? **No policy in place, but most of the time discrepancies are found within 24 hours.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes, we do have cameras in the parts department. Anyone can review the footage at this time.**
78. What one thing can your organization do to help you do your job better? **Holding special orders for will call and shop jobs to a shorter time limit.**