

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)**. – **DONE**
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)** - **DONE**

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)** -**DONE**
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. –**DONE**
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. - **DONE**
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. –**DONE**

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

Brian Crossin
bcrossin@nada.org
703703-395-1570

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? **Service Dept reviews once a year by contacting other dealers to compare.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **We are very competitive in our local 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. **We are 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. **Yes, we have 4 pricing tiers. The tiers are based on the customer's history and potential sales.**
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, these reports are received every morning called exception reports.**
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)) **None**
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**
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 have their own accounting code.**
9. Do you have an internet presence for your parts department? **Yes**

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? **Promo Port, there is no cost but office supplies ie paper, ink, etc.**
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 3 Outside Parts Salesmen currently. The sales do pay for the employee. This is something we evaluate yearly.**
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, 100% of the merchandising dollars are spent prior to year-end. The total dollar value was an estimated of \$1,500. There is no program to receive additional funds.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **No**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **We do check our online parts coupons, they are checked daily, and updated 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? **No, this is not done at a Parts Manager level on a regular basis.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **We seek additional revenue.**
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, our entire showroom is centered in the dealership where all customers even sales, have to walk right through.**
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 consistently review the cost of doing business with our customers. Our outside sales force keeps us up to date on customer purchases vs. expense of doing business**
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? **No.**

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?) **The General Manager of the Parts Department verifies the customer. The tax ID information is handled by our Home Office. I am not aware if the tax information is up to date.**
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. **Some items under the manager’s control are as follows: employee/overtime, advertising, freight, office supplies, training. Expense control is discussed as part of the yearly budget and action 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? **General Manager approves the credit and the screening system we use is DSI that will give credit holds when a customer is over a credit limit or passed due. All Department Managers, Outside Parts Salesmen, Accounting Clerk, CFO, and General Manager on a monthly, weekly, and daily basis.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Yes**
24. What are the special parts ordering policies for SORs? Where is it written and posted? When was it reviewed and what level of management approved it? **The Parts Manager is currently creating a SOP policy which will include payment in full at time of ordering. Both Parts and General Manager are approving the policy and having this in effect prior to year end.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **We will require 100% payment with our new policy. No, we do not differentiate between customers.**
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 should not have this issue given we are collecting 100% payment at time of ordering. If we do fall into this situation, we will not keep the part on our hold shelf for more than 4-6 months. After 5 months, a letter will be sent giving the customer a last chance to come for the parts. If not, the customers parts will be put into inventory.**

27. Who are the parties that are involved in the SOP process start to finish? **Parts Manager, Parts Counter Associated, and Shipping/Receiving.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes, the orders are all placed online/typed.**
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? **The SOP location for Service is in a cabinet behind the Back Parts Counter Associate. The Back Parts Counter Associate notifies the service when parts arrive. The Manager is to follow up on SOP's for lack of return.**
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? **The SOP are kept separate from the normal inventory on a 'hold shelf' – we do this so no one can sell the parts.**
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? **The Parts Manager, Assistant Parts Manager, & Parts Secretary control the PO books. There is no dollar figure established that need management level 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) **The Parts Manager, Assistant Parts Manager, Parts Secretary control the PO books. There is no dollar figure established that need management level approval.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Our General Manager of our Parts Division establishes pricing policies. Not all purchase are run through parts. If tires are need in service, they take care of ordering those themselves.**
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) **It exceeds**
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) **This has been an issue for a few years and we have been trying to get a better handle on reconciling the perpetual to GL. Right now, accounting does not book the cycle counts.**
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 calculate the LIFO reserve in our calculations**
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, each employee is assigned certain responsibilities. They have also been cross trained to fill in when other are out.**
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 reviews the training programs and also it apart of the yearly review.**
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 internally train our employees on the computer systems. Training is typically done with new hires and as people are promoted into different positions.**
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? **No, he has not taken a department Financial Management class. The last Parts Management training course he had taken was at the RPM show a month ago.**
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? **The equipment meets the daily needs of the staff. Our IT department responds quickly to any hardware needs as requirements change.**
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? **MDI controls the stock ordering. Adjustments are made only to achieve volume or PPD freight requirements.**

44. Is the trend of those changes in question #42 a positive or negative trend?
Positive.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **90% stock orders, 10% emergency.**
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? **They are generated, retried and used 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? **No the DMS summary is not used to track inventory trends.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **We do weekly cycle counts and daily checks on values by our Parts Clerical employee.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Weekly cycle counts are done.**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **An exception report is given to the Parts Manager daily.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes, they are tracked but not tracked properly as our counter salesmen are not recording actual lost sales. The following can track a lost sales: Outside Parts Salesmen, & Parts Counter Associate.**
53. Who reviews the Lost Sales? When are they reviewed? **Parts Manager and General Manager reviews the lost sales monthly.**
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)? **MDI determines this, the determining factor for MDI to add a part to stock is 4.**
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? **Again, this is managed by MDI. After 4 hits, the parts is then put into inventory.**

56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?

96.8% - Breadth

96.5% - Availability

86.5% - Acceptance

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)? **Everything is sold through the Parts Department.**

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Verbal procedure that should be written in the future.**

59. Who files damage claims on parts shipments received? **Parts & Shipping 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? **Part orders are received by the shipping/receiving personnel. Yes, they are cross-checked as the parts are received. Depending are the discrepancies, depends on how we handle them.**

61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **No, we do weekly cycle counts. We have a total of 9 locations, so no yearly inventory is done. We rotate stores for a physical inventory to be done every 8 years.**

62. Who applies and loads the monthly price updates? **This is completed by our Corporate Parts Manager.**

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)? **Yes, by the Corporate Parts Manager.**

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **We do not do a yearly physical inventory. Adjustments are done according to the weekly cycle counts.**

65. Are all obsolete parts that are on the inventory physically in the store? **Obsolete parts are coded to a special account and are either returned to the vendor, sold within 30 days or disposed of.**

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? **We put parts on a “phase out” status. When the part number is entered, a note pops up under the part.**
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 Service Manager is responsible for this and required to keep WIP down to 3 days.**
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? **Yes, we hold daily WIP meetings to ensure WIP stays under control.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes**
70. What is the months’ supply of the inventory? 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? **This month’s supply is \$1.2M and does match.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **The true turn of inventory is 6, yes.**
72. Is the inventory area large enough for the current level of business? Answers to this question can be obtained when the student does the FTFR (First Time Fill Rate) exercise. **Yes**
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? **The manual is located in the HR office and reviewed yearly by the General Manager and Dealer Principle. The Parts Manager.**
74. Is your Parts Department locked up each night? Who has keys? **Yes, Parts Manager, GM, Lead Counter Person, and second shift counter person.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes, audits are done quarterly by the CFO.**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes, each person signs the policy for shortages. The parts cash is reconciled daily to determine there are no error each day.**

77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **No.**

78. What one thing can your organization do to help you do your job better? **Have job descriptions in place for each position held in the dealership.**