

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? **We currently don't have source pricing. This is something we are working on in 2019.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **We are extremely competitive due to our relationship with our OEM and our ability to bulk purchase, but we do leave some margin on the table.**
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 but margin low to be there.**
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 different pricing structure dependent on the customer.**
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, approvals are needed.**
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)) **All parts are received at the pricefile cost. Adjustments are made on a monthly reconciliation.**
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? **Receiving report is matched up against the invoices and the difference is booked in accounting.**

9. Do you have an internet presence for your parts department? **Not aside of the OEM. We use Select Parts Store to promote.**
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 are running seasonal promos air driers, batters, fuel additives, ect. Expense is low as we are using paper flyers and social media to advertise.**
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, and the level of sales pays for him.**
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? **No Mack/Volvo does not give us merchandising dollars.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **No, Not for Parts.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **We don’t have parts coupons online.**
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? **Not currently done.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **60% of our parts business is not thru service. Our OPS and countermen are always pitching new products to current and new customer.**
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? **We do have a program, but it needs to be improved/updated.**
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 don’t do wholesale.**

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 don't do wholesale**
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 do wholesale**
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. **Expenses are allocated, and we pay on gross.**
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 department.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **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? **It is written and posted behind the parts counter and it was reviewed in September and approved up to the director of parts.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **No. Yes.**
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? **21 days. Yes, 20% restock fee.**
27. Who are the parties that are involved in the SOP process start to finish? **Parts Manager, Uptime Supervisor and order specialist.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **No**
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? **Located on a shelving unit near the back counter. Back Counter notifies service and the service writer notifies the customer. Parts**

uptime manager decides when to return the part if not picked up within 21 days.

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? **They in a designated area of the warehouse.**
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? **Procurement manager controls all aspects or purchase orders. 0 all Pos are approved by a manager.**
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, Procurement team does, Director or parts and controller oversees the parts manager.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Director or parts is responsible for the policies. Yes all internal purchase go thru parts.**
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). **Not abnormal. This is due to received not billed and pricing increases. We reconcile this at months end.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **No, not used.**
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) **No we don't have a chart but there are individuals responsible for each function.**
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? **Parts Manger. Reviewed last year and no its not currently part of the employee's pay plan but is discussed in reviews.**
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? **No records aside for the OEM program record.**
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 and never taken formal 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? **Hardware is correct but not all in the correct locations.**
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? **Approximately 2% is manually adjusted. The order specialist makes these changes. Main reason is to meet minimum order QTYs. Daily by the Order specialist.**
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)? **30% 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? In **CDK the managers review the on-screen inventory report and fast lanes daily to ensure, no bin, no cost, negative on hand, ect. are accurate.**
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? It is used. **We will implement in Q1 of 2019. All information is readily available in CDK.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Daily, Weekly & Monthly.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Not separate from 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**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes, all parts personnel have taken the lost sales quiz provided by ATD.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **We just rolled out a policy/procure to track in our DMS. All parts personnel can log a lost sale.**
53. Who reviews the Lost Sales? When are they reviewed? **Inventory Control Specialist. Reviewed 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 and Yes.**
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? **3 and 12.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **96.2%**
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)? **All items are inventoried before sale.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Verbal. Parts Manager.**
59. Who files damage claims on parts shipments received? **Inventory Specialist.**
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 the product. Stock order is reviewed by our Order Specialist and discrepancies are report to and filed by our Inventory Specialist.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes**

62. Who applies and loads the monthly price updates? **They load automatically in CDK**
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)? **A Monthly Reconciliation is done with accounting. (New process started in September)**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **120K positive adjustment made to the GL.**
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, but this is a practice we will move toward in 2019.**
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 Uptime Supervisor.**
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**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Parts MGR has access to pull in CDK.**
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 months. Yes, it matches. No.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **3.93. 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? **They are located in the employee handbook given to all employees. Manager are to review with their direct reports.**

74. Is your Parts Department locked up each night? Who has keys? **Yes. One trained countermand and our janitor.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **We have a cash draw manageable and balanced by our assistant parts manager.**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes, Defined by the controller.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes, Parts Manager, Facility Manager and Assistant Parts Manager.**
78. What one thing can your organization do to help you do your job better? **Training**