

## **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?  
*Every 6 months*
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.  
*We compared ourselves around town and noticed we are pretty similar to most stores. We are charging more for wholesale than most. Our percentage for Warranty is much lower than our competitors. Unfortunately not much we can do for that. However our internal numbers are close to guide (38%) trying to get to 41%.*
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.  
*Upon verification we are well within market pricing. We compared a full brake job for example to 3 other stores in our market. We are in the middle of the 3 other stores and feel like we are competitive but not over the top.*
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. Wholesale gets 10% off of list price which =31% Retail counter=35% Internal=41% Employees=10%

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?  
No / Service advisors No. I think that is a good thing that only management can control the pricing structure.
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))  
Yes. Process to be handled strictly by parts manager and reviewed by accounting.
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?  
Discount tracked by DMS
9. Do you have an internet presence for your parts department?  
Yes. We feel for our area our website is up to par and better than most (parts).
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?  
Yes, we put a Menu price program together for certain servicing for example oil changes. Discounts roughly 15% off retail price. We do this to stay competitive with our competition.
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 outside Sales representative. Accounts being maintained on part time basis by parts manager. Don’t have enough business for an outside salesperson.
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. They (Kia) don't offer any merchandising dollars. We will be talking to them again to see if anything has changed.

13. With the growing use of mobile smartphones by customers do you have a mobile ready website?

Yes absolutely.

14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?

Yes every quarter.

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?

Yes. We review monthly.

16. Does the parts department actually seek additional revenue or "live off" the sales of the service department only? If not why not?

Yes. We have very healthy wholesale accounts, walk-in (retail counter) New parts manager has a good following of retail counter sales, working for Nappa before coming to work for us. Brings in new people all the time to by non-Kia parts.

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, sales reps will offer accessories at the point of sale. We install accessories on all showroom vehicles to be displayed. Also we put pricing guides on all sales desks to help sell more accessories and to be included in the payments.

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.

Yes. Most wholesale accounts in our town is less than 15 km away from our store. We ship daily to all in town accounts. Anything further we ship directly to them.

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?

Very small town. No major player in our town. If it's a Kia part we are the only store within 3 hours drive away. We do deliver daily as many times as needed. No more than 20 km away. Of course we can always do better. This may be something we will be looking at doing. Make sure we can get as much business as possible.

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?)  
General Manager would make sure that every account is an actual wholesale account. Most our body shops in town which is pretty straight forward.
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 controlled. Parts manager is paid on gross which helps keep expenses under control in that department.
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?  
Owner determines if we should let them have an account with us. Accounts receivable keeps track of account limits.
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?  
Check what part is needed, check availability, collect payment, book appointment, order part, receive part and install part.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?  
Yes and 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?  
2 weeks. 20% re-stocking fee. Anything after 2 weeks customer is stuck with the part.

27. Who are the parties that are involved in the SOP process start to finish?  
Tech finds out what part is needed. Service advisor lets parts know what is required to fix vehicle.
28. Are special order forms completed in a legible manner so that the customer information can be read?  
Yes all information is on RO.
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 SOP cabinet we had custom made. Parts department notifies customer that part is arrived, unless we are installing a part then the service advisor would make the call. Parts manager determines when to send back part. Service department follows up with customer if no response was made.
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?  
Absolutely SOP has a completely separate cabinet.
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?  
Parts manager controls purchase ordering system. Parts manager approves all purchases. Service manager (Family member/owner) sets and monitors all monetary levels and open PO's.
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)  
Service manager oversees/authorizes parts manager purchases from outside vendors.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?  
Owner. Yes internal purchases processed thru 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 amount is less on our DMS reports. We are currently working with our DMS to try and resolve problems similar to this.

35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)

We are still working with DMS on this as well.

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)

I wasn't able to get proper reports on time to figure out this question.

37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.

Canada= No 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)

Yes each employee has a specific responsibility in the parts department. We only have 2 employees in the whole 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?

Service manager (family member) controls the training programs. Last year we reviewed the training. Yes it is part of the pay plan for the parts employees.

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 track of training unfortunately we haven't had much training other than the online training from Kia head office. This will be changing, we are planning on getting our parts manager properly trained in 2019.

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. 2010 was the last time our parts manager was trained. He worked for Nappa at that time. We are possibly looking at sending him for training at the academy.

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?  
We don't have a specific computer system diagram which specifies terminal equipment positions. All equipment meets daily needs with strategic locations. We have the right amount of equipment for the size of our store.
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?  
Parts manager replenishes daily orders/adjustments which are never more than 10% to 20%. Reason for adjustments is seasonal and high demand on new items.
44. Is the trend of those changes in question #42 a positive or negative trend?  
Both because stock replenishment are generated by ordering program.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?  
10% of stock order purchases are emergency orders.
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?  
Reports are loaded and saved on a specialty parts ordering program. Reports are checked monthly.
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?  
Unfortunately I haven't got the information on time to work with the DMS scorecard. However once I get all this information, I will definitely be using it as much as possible to gage how this department is doing month to month.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)  
End of the month.

49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)  
Not as often as required. We will be trying to get this done more frequently.
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 he did it for class. We only have one full time employee in parts (parts manager).The other part time employee will only check inventory and help out.
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?  
Not at the moment. Waiting for the proper training in April.
53. Who reviews the Lost Sales? When are they reviewed?  
No one at the moment.
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 parts is reviewed by our system "Parts eye". The system is utilized to test which parts are required to stock.
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?  
Anything purchased 3 times a year would get phased in to inventory.
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?  
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)?  
Yes all parts are sold from inventory. Yes we stock items that aren't in our inventory.
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 and Service manager review policies.

59. Who files damage claims on parts shipments received?  
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?  
Yes. Parts manager receives and cross checks orders. Parts manager also corrects all discrepancies.
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?  
System does it 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)?  
Periodic inventory adjustments is done twice a year.
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?
65. Are all obsolete parts that are on the inventory physically in the store?  
Yes for the most part. We had to fire our old parts manager for stealing. Not sure if everything is on the shelves are not.
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?  
Not yet. However it's something I would like for us to start doing.
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?  
Service manager
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 my service manager and parts manager are always on top of the WIP tickets.
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?  
No just monthly.

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?  
I'm still working with DMS to get Scorecard figured out.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?  
I had a hard time trying to get the YTD stock purchases from my DMS. Still working on it. Are actual gross turns are 3.5 (as of November 2018).
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.  
The size of our parts area is working for us however I do think we would benefit from a bigger parts area. We don't always carry certain parts because we don't have the space. It shows in our FTFR I scored 78% guide.
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?  
All procedure manuals are located behind the service counter. All employees are aware of this location.
74. Is your Parts Department locked up each night? Who has keys?  
No. We do have certain bins that we lock however 90% not locked.
75. Do your Counter-people have a cash drawer? Who balances the drawer?  
No all done upstairs with accounts receivables. She will balance the drawer.
76. Is there a policy in place for overages for the cash drawer/balancing?  
No policy in place at the moment.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?  
Yes, upper management has access to the computer where everything is stored and backed up.
78. What one thing can your organization do to help you do your job better?

Get proper training. Our parts manager is never been properly trained on our computer programs. He got trained from someone here who knew how to work the programs but herself was never properly trained. We are rectifying this situation. Have a trainer coming to our store for 3 days of full training.