

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? **We check pricing levels 1-2 times per year**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **They are competitive with competitive parts**
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 checked a few part numbers at a couple different dealers, they were in the middle.**
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. **He has pricing structures for each, wholesale is competitive in the area and he is priced correctly**
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? **We check parts counterperson override report. Parts personnel are authorized to give up to 10% off but anything larger needs to be approved. Service advisors can't change pricing but can ask if 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 costed at OE cost, any pickup charge goes to the inventory adjustment account, freight to the freight account.**
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 for OEM parts**
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? **Discounts are shown on their own line under stock order discount or inventory adjustment.**
9. Do you have an internet presence for your parts department? **We have the Honda Estore**
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? **No current program**
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? **We do not have an outside salesperson, have in that past but parts manager handles the outside.**
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 program**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes but not an app**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they 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? **Comparison is done monthly, we normally fall below expense %. Currently shorthanded in the department and looking to add a person.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Busy wholesale business, always add extra parts needed, (gaskets, fluids, etc..)**

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 have improved accessory sales in the last couple years. Adjusted cost to sales department to make them more willing to sell.**
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 keep a pretty small radius for wholesale parts for just that reason. Anyone in the radius we will deliver to no matter the size of the order.**
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 do, we are the player in our area and we service our customer base.**
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?) **wholesale parts counter person and manager, Tax ID's are kept current with the accounting office and Tax Id's are verified on Mass Rev website.**
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. **No issues here, the parts manager is the director of our company and watches expenses closely**
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? **The office manager is in charge of setting up charge accounts, they check credit app and follow up with other vendors to make sure that the customer stays current. Receivables are checked consistently and the parts manager is notified if any customers are over 45-60 days.**
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?

Special orders other than warranty are to be pre-paid, posted in the customer waiting area, returns subject to restocking fee.

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Not 100%, we do pre-order for appointments at times.**
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? **Case by case, we tend to put returns on the shelf and use our Stock Return Allowance monthly.**
27. Who are the parties that are involved in the SOP process start to finish? **Tech, Service Advisor, appointment coordinator, parts counter person, shipper/receiver, and back again.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **Special orders are done in Reynolds and Reynolds.**
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? **Parts are located on the special order bins or racks waiting to go out into service, we use ASR Pro to let tech/advisor know parts are in.**
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? **Separate shelves**
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 department normally cuts po's for small tools etc. Larger purchases over \$200 need GM 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 corporate controller, CFO, GM**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Internal pricing policies are set by our corporate senior management team.**
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) **Normally runs pretty close to the GL**

35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **Not normally**
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) **Sometimes higher due to parts pickups**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **N/A**
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 jobs they can do.**
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 manager controls, they are trained through Honda as well as our Hazmat consultants.**
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, records are kept and tracked by the OEM**
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? **Never at Dealer Academy, has had several over the years. Last time October 2018**
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? **This is tracked by our corporate CFO and IT department, computer equipment is upgraded consistently.**
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? **The stock order he runs doesn't require much adjusting and several of his counter people can run the stock order on any given day.**
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)? **Stock order percentage in the 90's**
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? **Printed and used for our EOM procedure and reconciliation, copy kept with office manager**
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 monthly**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Consistently with bin checks or errors seen by counter people when pulling parts**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Yes**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **All receipts are checked every day for the previous day (including IO sales. Plus and minus adjustments can only be done by the parts manager**
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, now a little more consistently, parts personnel.**
53. Who reviews the Lost Sales? When are they reviewed? **Parts manager, before running stock order**
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, every time or to see if the stocking level is incorrect**
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? **First level is 2 in 6month, next is 3 in 9 months**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **NA**

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)? **We have shop supplies in our department but they do not go into our inventory. Any parts sold are put in inventory then sold.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Parts manager is responsible with one other guy for shipping. Receiving parts are scanned in by scan gun.**
59. Who files damage claims on parts shipments received? **Wholesale parts manager or 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? **Depending on the size of the order, the receiver and early personnel will help check in order. Receipts are cross checked every day.**
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? **Parts manager on the morning of the 1st of the month before we open for business.**
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)? **Adjustments with the price tape are tracked and adjusted monthly. Other adjustments wait for physical inventory for full adjustment.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **We had an inventory pickup.**
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 put into the inventory and tracked on the obsolescence reports**
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 keeps the work in process pretty clean.**

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)? **Manager has access to run himself for all parts departments**
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? The month supply is 1.07 and is in line with the calculations. No we are not stocking too many parts.**
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 our inventory is 8.2 which is very close to the 8.4 on the parts template.**
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, Honda requires square footage.**
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 kept with the corporate controller**
74. Is your Parts Department locked up each night? Who has keys? **Department is locked each night. Parts personnel and some managers have keys.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Cash is done by a cashier. Counter people can only process credit cards.**
76. Is there a policy in place for overages for the cash drawer/balancing? **NA**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes 2 cameras, any manager has access.**
78. What one thing can your organization do to help you do your job better? **Provide me with tools and training**