

## **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?
  - a. We compare our prices against the competition annually, if not bi-annually. Our labor rates are in-line with other repair facilities in the region. Parts prices are set by Volkswagen of America.
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
  - a. Parts prices are set by Volkswagen of America. We do offer discounts to wholesale customers or otherwise very good retail customers. We're extremely competitive in terms of price and services rendered.
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.
  - a. We don't always offer the largest discount, but we offer superior service over our competition. We're very detail oriented and we go the extra mile for our wholesale/resale customers. Whether it's sourcing a hard to find part or making a speedy delivery, we're here to perform. Our superior service coupled with reasonable pricing has kept our retail/wholesale business on an upward trend.
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.

- a.** Different types of customers have varying pricing structures. Wholesale discounts vary by account activity. Retail customers pay suggested list/inflated list unless otherwise noted. Employees pay 10% GP over cost. The sales department pays the most. We charge Hunter extra, especially when he nags.
  
- 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?
  - a.** There are no DMS controls to prevent counter people from adjusting prices. They are at liberty to adjust cost within reason to ensure a sale. This is monitored heavily by the Parts Manager. Service writers cannot adjust prices; however they can alter the coding of a particular repair. This should be monitored closer as it could present issues if abused.
  
- 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))
  - a.** There is no process to prevent this, but it hasn't presented any issues in our department. We sell brands from outside manufacturers and need the ability to adjust cost on certain items. i.e. Audi, Mazda, Aftermarket/Used
  
- 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?
  - i.** When purchasing parts from outside distributors we adjust cost accordingly. List prices generally remain constant but the part cost must be accurate to realize an accurate profit at time of sale.
  
- 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?
  - a.** If a set of parts are purchased at a discounted rate we immediately adjust the cost in our database. If it's only a small string on inventory that's been purchased at a lower cost we mark those parts and adjust cost at the time of sale.
  
- 9.** Do you have an internet presence for your parts department?
  - a.** Not presently, but we are working to have an e-store within the next 6 months...
  
- 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?
  - a.** We don't engage in many merchandising programs. Volkswagen gives us some merchandising dollars to spend on goodwill/advertising.

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?
  - a. We don’t have an outside sales person. We solicit business internally via phone, email, letters, parts runners, and at times our counter people visit wholesale customers in person.
  
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?
  - a. Volkswagen offers some Co-op dollars but we don’t use many in the Parts Department. Year to date we have used approximately \$300-500 in Co-op to fund advertising materials to generate wholesale business.
  
13. With the growing use of mobile smartphones by customers do you have a mobile ready website?
  - a. Yes, we do.
  
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?
  - a. We don’t check for our internet coupons nearly enough. We need to implement a process to check for current coupons to keep our customers and department informed.
  
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?
  - a. Pay plans are not reviewed on a monthly basis. They are reviewed by the General Manager. Current sales are providing sufficient profit.
  
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?
  - a. This parts department is full of “go-getters” that are continuously looking for new ways to increase revenue outside of the sales/service departments.
  
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?
  - a. There isn’t a program established for the sales department to sell accessories. This continues to be lost revenue for the dealership.

- 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.
- a.** This isn't reviewed weekly but we do take these issues into consideration. We try to make our parts deliveries as efficient as possible. Shipping routes, ship dates, pricing, etc are always thought out.
- 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?
- a.** We study our area and advertise as we see fit. We know who we can compete with and what regions are worth targeting. This parts department offers a superior service over 2-3 neighboring dealers. We have a far shipping radius, aggressive pricing, offer more than one brand, etc. This has helped us broaden are reach.
- 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?)
- a.** All of our wholesale customers' Tax-ID certificates are on file but we rarely make sure they are updated. The only time we ask for a new certificate is the shop has been sold.
- 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.
- a.** Pay plans are based on Gross profit. The main expense in the department is derived from the parts delivery vehicles. i.e. fuel and maintenance. Other costs incurred are from wholesale programs such as CollisionLink and PartsTrader.
- 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?
- a.** Wholesale Charge accounts are approved by the company's accounting department. The accounting department is also responsible for following the receivables. If accounts become past due the Parts Consultants reach out to the customers to request payment.
- 23.** Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?
- a.** The parts manager creates a monthly financial statement for review.

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?
- a. Special orders are posted to a special order board. Each consultant is responsible for their own special orders. They are to maintain communication with the service advisor/ and or customer requesting the part. If it is a service transaction, the advisor is expected to maintain communication with the customer. At the end of every month the parts department reviews the special order shelf.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?
- a. "Warranty" special order parts are quoted whereas "customer pay" parts are to be paid in full. Wholesale customers are the only exception. There are separate special order boards for retail, service, and wholesale.
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?
- a. "Warranty" special orders are held for no longer than three months. If the customer doesn't come in for the repair we either return the part or put it in stock. Customer pay parts are subject to a 20% restocking fee. This may be waived depending on the situation.
27. Who are the parties that are involved in the SOP process start to finish?
- a. Service advisors and parts consultants are typically involved start to finish.
28. Are special order forms completed in a legible manner so that the customer information can be read?
- a. Special order forms are computer generated with all customer information made accessible.
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?
- a. Special orders that have been paid go to the Service Paid Parts Room. Unpaid Parts remain inside the parts department on the retail special order shelves. Service advisors notify customers of part arrivals. The Parts and Service Manager determine if a part should be sent back. The parts consultants and manager review the special order shelf for aging parts monthly.
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?
- a. They are inserted into regular inventory.

- 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?
- a.** A designated parts consultant writes and submits all Purchase Orders to the accounting department. Each PO is reviewed and thus paid by accounting.
- 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)
- a.** The parts manager and consultants all have direct purchasing authority from outside vendors.
- 33.** Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?
- a.** Internal parts prices vary depending on the application. They are controlled by coding in DMS. All internal purchases are run through the 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)
- a.** The statement shows less than our inventory report
- 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) **No, this is probably cores**
- 37.** If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
- 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 have a small parts department. Each person knows their responsibilities and it may change with the workload.**

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?
- a. The only official training for parts employees is through Volkswagen. Other job specific training is performed by the parts manager or otherwise veteran employees. Training is not part of a yearly review or employee pay plans.
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?
- a. Manufacturer specific training is recorded by Volkswagen. No other official training is required.
41. Has your Parts Manager ever taken a departmental Financial Management class like the ATD Academy? **Yes** When was the last time they attended any formal Parts Management training? **Yearly, through the manufacturer**
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? **n/a**
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? **It doesn't exceed 10%, parts manager makes the changes and the adjustments daily.**
44. Is the trend of those changes in question #42 a positive or negative trend?
- N/A**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **Less than 10%**
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? **Monthly, they are used to manage inventories**
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)
- a.** Our inventory is generally very accurate. We may have to fix an error once or twice a week at most. Prior to making any adjustments we take the proper steps to identify the original error. i.e. Posting, backorders, billing, etc. Once the error has been indentified we make the appropriate fix.
- 49.** Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)
- a.** We have an inventory company count our inventory a few times a year. In addition to having an outside source come in we also check our bins at random.
- 50.** Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate?
- a.** The parts manager doesn't review transactions daily but all Plus/Minus adjustments are to be approved by the manager before doing so.
- 51.** Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?
- a.** Yes.
- 52.** Are true lost sales being tracked in your DMS? Who can log a Lost Sale?
- a.** Lost sales hadn't been utilized effectively until giving the lost sale quiz. Now the Parts Department is posting lost sales daily.
- 53.** Who reviews the Lost Sales? When are they reviewed?
- a.** The parts manager reviews lost sales daily when submitting a 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)?
- a.** Emergency ordered parts are reviewed. Our DMS system suggests the phase in/phase out of parts based on a sales report. We use this feature to help gauge what parts to keep on hand.
- 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?
- a.** Three sales within six months would phase in a part in our DMS. At that point the part would be suggested on a daily stock order. Nine months no sales would place a part on an automatic phase out.

- 56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? We don't use that.**
- 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)?**
- a. All parts except for certain shop supplies are on the parts department inventory. Shop supplies would include items such as tape, silicone spray, washer fluid, etc.**
- 58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?**
- a. Procedures are all verbal and updates are to be made by the parts manager.**
- 59. Who files damage claims on parts shipments received?**
- a. The parts manager files damage claims.**
- 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?**
- a. The parts manager and consultants check in and receive orders. The original stock order transmitted isn't always crosschecked as it should be. This has presented inventory issues in the past. Discrepancies are claimed against the manufacturer.**
- 61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?**
- a. A complete physical inventory check is performed at least once a year.**
- 62. Who applies and loads the monthly price updates?**
- a. Price updates on Volkswagen parts are updated automatically through our DMS. Outside parts prices are adjusted by all parts personnel.**
- 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. As stated previously, manufacturer cost adjustments are made automatically. Other cost adjustments, such as an emergency purchase, are made at the time of sale and are only one time adjustments. If there is an outside part price change a permanent cost adjustment is made.**
- 64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? \$350**

- 65.** Are all obsolete parts that are on the inventory physically in the store?  
**a.** The few obsolete parts that we have on our inventory are on premises.
- 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?  
**a.** Obsolete parts are placed into their own bin location based on part number. They are in the same source as the rest of our Volkswagen parts.

**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**

- 67.** 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? **No**
- 68.** Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes**
- 69.** 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? **It matched, stock is in line**
- 70.** What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?
- 71.** 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**
- 72.** 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 in in the HR Dept. Can be had at any time.**
- 73.** Is your Parts Department locked up each night? Who has keys?  
**a.** No, but it most definitely should be.
- 74.** Do your Counter-people have a cash drawer? Who balances the drawer?  
**a.** The dealership shares a cash drawer. It is balanced by the receptionist each day.
- 75.** Is there a policy in place for overages for the cash drawer/balancing?

- a. Each transaction can be linked back to the corresponding employee. If there is a shortage/overage the employee would be questioned.
  
- 76. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?
  - a. No, we do not.
  
- 77. What one thing can your organization do to help you do your job better?  
**More space in the department, new equipment(shelving, desks, ect..)**