

## **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 try to look at our prices annually to see if we are in line with other dealers in the area.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **We priced an air filter and brake pads for a 2013 civic. Our price is \$25 for the filter and \$75 for the pads. Carey Paul Honda was \$30 on the filter and \$75 on the pads, Willett Honda was \$21.38 on the filter and \$68.15 on the pads, Sons Honda was \$29.95 on the filter and \$69.95 on the pads, and Gwinnett Place Honda was \$21.78 on the filter and \$66.26 on the pads.**
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 fill that we are very competitive with the market.**
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. **Wholesale pricing differs from the different size and type of shop calling. Anywhere from list -10% to list -32%. The retail counter is full matrix and will only be discounted 10% with a coupon or military I.D. The service department is full matrix as well with advisors having access to discount tickets. Employees pay cost plus 10% on their personal cars.**

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? **Counter people can change prices with parts managers approval. Service Advisors can discount up to 15% then need service manager approval for more.**
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)) **No one is allowed to change cost of parts or sale parts at cost.**
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, the parts stay at the same cost.**
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? **There is a discount code/line where all discounts are applied on tickets.**
9. Do you have an internet presence for your parts department? **No, but I am in the middle of setting up Revolution Parts to get my online presence going.**
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 only have Honda tags that we sell. The cost is \$22 per tag and I sale them for \$36.99.**
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.**
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? **We do not have factory merchandising dollars available.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **We do have a mobile website but as of right now the parts section is not good.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **I try to update the coupons 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? **The personnel are paid a percentage of gross so as gross goes so does their pay. The expenses will stay in the same percentage.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **We understand that the service department is our best customer and they take priority, but we are constantly going out looking for more wholesale business and now working on our online business to bring in more profit.**
  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? **The sales dept. has access to the accessory sale sheets that they are presenting their customers during the purchasing process. We also have accessory displays throughout the waiting rooms.**
  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. **I do try and keep track of who is buying what and what percentage is being returned.**
  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? **Gwinnett Place and Nalley Honda are the major players and I cannot unseat them. They are too big. I do try and take care of my backyard and have gone out and gotten more customers b/c of my delivery times, customer service, and pricing.**
  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 parts manager and assistant parts manager set up all wholesale customers. They must have a copy of their Tax Id and business license to set them up.**
  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. **I do not have any control over expenses except for what is put to parts policy and I hardly ever put anything to policy.**
  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 parts**

manager and office manager set up credit approvals. We call their references and verify. The office handles collecting payments unless they get over 60 days then the parts manager steps in and tries to collect.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **It wasn't given to me monthly but I have spoke with the GM and controller and I will start to receive a copy every month.**
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? **Retail customers pre-pay on all parts orders, repair orders are not pre-paid, wholesale customers differ, some pre-pay and some don't, just depending on the type of customer.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **See above for answer.**
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 try to have customer return within 25 days or we will return part back to manufacturer. If a retail customer tries to return a part there is a 20% restocking fee. We will not return any part over 60 days.**
27. Who are the parties that are involved in the SOP process start to finish? **The parts counter orders the part, receives the part, and tags the part. If it is a retail or wholesale customer then the parts dept will contact the customer. The parts dept will give the advisors a SPO sheet daily and they will contact their customers. If a part gets over 2 weeks old the parts manager will contact the customer or cancel the SPO and return the part.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **We can type notes in the computer.**
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? **See answer 27 but all special order parts are located on the special order shelves that are separated by last name.**
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 are part of the 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? **There is no certain \$\$ level. The counter guys can write their own Pos and the parts manager reviews them every morning and turns them into the office to have checks cut.**
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) **anyone in parts can purchase a part no matter the cost. The office manager verifies all po's after parts manager turns them in.**
  33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **The GM approved the internal pricing and we sale all internal at retail rate.**
  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) **from the February statement it is less**
  35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **the parts manager and controller are looking into it and monitoring the inventory daily.**
  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) **It's not ideal but is normal. Oil generally will have an overage due to billing by the quart.**
  37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **Yes.**
  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 their own responsibilities, The parts manger is over everything and when a certain employee is off he takes on their role.**
  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 makes sure that all employees are properly trained and up to date. There is yearly reviews for 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? All training records are recorded on COMPLIGO, KPA site, and in their interactive profile through Honda
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? I attended Financial management through Honda in 2011.
  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? It's right on the money. Five work stations for 4 people.
  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 parts manager and assistant manager do the daily stock orders. It is adjusted by how much we have sold that day and what day of the week we are placing the order. If we are going into a weekend we will order extra to get us through the days with no new parts coming in.
  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)? 99%
  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? The parts manager will print reports, most are stored in a filing cabinet in his office and the others are in the accounting office going along with month end paperwork.
  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? We will be implementing the scorecard in the next month
  48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) It is adjusted when an error is found and verified
  49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) the counter guys to 2 bin checks a day, we usually go through the whole inventory every 2.5 months.

50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **The parts manager verifies any discrepancies before making any changes**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **The parts manager and parts counter guys have taken the quiz. Manager got 7 out of 10 right and counter guys got 5-6 out of 10 right.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes and all parts dept employees can log a lost sale**
53. Who reviews the Lost Sales? When are they reviewed? **Parts manager looks at them 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 we sale all emergency purchases at NG then receive the part so that it gives the part history so we can track to see if we need to stock or not.**
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? **Phase in is 3-12**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **n/a**
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)? **If it is in my parts department then it is in my 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**
59. Who files damage claims on parts shipments received? **The parts manager and assistant 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? **A counter person comes in every morning and receives the parts orders that arrived that day. She checks them off from the order sheet and puts them in their respective buggy. After all parts are marked correctly she will go into the DMS and receive the parts into inventory. If there are any discrepancies she will notify the parts manager and he will verify and take corrective action.**

61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes I check monthly what my inventory and the financial statement look like comparably.**
62. Who applies and loads the monthly price updates? **It is done 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)? **It goes into an inventory adjustment account**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **We gained \$7,000 and that money was put into a obsolescence account**
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 in the normal inventory. The DMS has reports that are up to the minute accurate with sales history.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **Controller and 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.**
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? **Gross turns is 8**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **True turns for February is 2. 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, we just need to have the right mix**
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 manuals are located in COMPLIGO which every employee has access to**
74. Is your Parts Department locked up each night? Who has keys? **Yes, all parts employees have a key except driver. Also the GM, controller, office manager, janitor, and service managers have a key.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **We have a cashier**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes with the office manager and controller.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **No they don't record**
78. What one thing can your organization do to help you do your job better? **Let me review the financial statement monthly to make sure my department is working efficiently.**