

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? quarterly
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **We are in line with local dealerships. We have 6 DCJR Dealerships in our district.**
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. **See above answer.**
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 dealertrack does. Each customer has a pricing code. We know from our Proforma that we can increase internal rate immediately.**
5. Do you have in place policies and DMS controls (via Exception or Deviation Reports) to prevent counter people from changing the pricing structure during daily transactions? What about Service Advisors? Yes they are only allowed 5% discount off the total bill or a flat \$20. Counter guys do not discount, if someone needs help on something it goes through service manager. (Last month Service advisors discounted \$2200 total in parts and labor at the service counter)

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)) **We follow the OE 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? **We always leave the same cost. But we debit purchase discounts for price differences.**
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? **We track discounts on the doc in dealer track**
9. Do you have an internet presence for your parts department? **We have a landing page, with a parts inquiry form that the parts manager gets to his email. We also have coupons present and are current on our website.**
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 used to have something in effect, but we do not have anything in place now. It was not cost effective.**
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.**
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? Yes, YTD we haven’t spent much of anything, we wait and spend them around the holidays for gifts to customers. We usually get \$15000 per year. It is based on sales. We get 1% of our sales in three different categories. Accessories, wholesale, retail.
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes we do**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Yes. 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? **Never. We just looked at it on the nada chart.** Is the current sales level providing a sufficient profit for the pay levels established for the parts employees? **Yes it is**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **We do not just live off the sales or service department. Wholesale. Body Shop. Other body shops.**
 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 and No. We do not have a current sales to parts accessories process. But are working on putting one in play. Yes we are leaving potential sales but we get a decent amount of retention from our after sale customers.**
 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. **Not weekly. We only go 30 miles. Depending on wholesale spend per account, the discount varies. We have 150 wholesale customers.**
 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? **Don’t study it but I know it. West herr- No. We are very inquisitive on the phone, if it is someone new we kiss their ass and will earn their business. Yes we can deliver 2-3 times a day. Within 5 miles.**
 20. Who verifies the “wholesale” customer applications to make certain they are really true wholesale customers? Are your state Tax-ID/Wholesale Certificates current (within the last two years?) **We do not have that issues. Our parts manager would know the customer or shop personally. At some point or another he has dealt with him.**
 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. **Biggest expense is payroll. Other than that he can control most expenses other than fixed.**
 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? **Our central office. They use a credit application they have to have in state credit**

references and a credit history with those references. Bank acct, their bank, bank manager etc.

One of our office managers is in charge of receivables, and if someone is getting out of wack the parts manager gets involved.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Daily Doc is accessible at anytime.**
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? **If it is cash we have it paid for it up front. If it is not warranty and comes form the service department we do not have a policy. (action plan)**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **We require it on counter sales only. Wholesale is never an issue.**
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? **15 days. Yes 15% for retail yes we hold hard on 15 days.**
27. Who are the parties that are involved in the SOP process start to finish? **Service writers to parts counter for service. Parts counter for counter sales.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **computerized**
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? **Special order BIN. Team effort on notification. Service manager makes that determination. We try and keep them at least 90 days until the next oil change. We have had people come in 6 months later to have the SOP put 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? **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? **Parts manger. We do not have a set dollar amount. If it is**

something out of the ordinary we will get approval from ownership. Our comptroller monitors 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) **Everyone can. Rob Murdock is the Fixed Ops Director. Overseas Parts manager, but does not require double signature.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Ownership/Partner in conjunction with Fixed Ops Director**
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) **On reconciliation exercise the dollar value is 44k more than what is on the financial statement.**
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) It is not abnormal because you have WIP dirty cores, Returns in process, etc.
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) We are redefining everyone's roles since we promoted a counter guy to manager at another location. We are in transition.
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? **We don't really have a training program because turnover has not been an issue. We recently hired a new counter guy and his learning day to day OTJ.**
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? **We do not have OE requirements, but they do take the Chrysler Parts Training.**

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? **NCM Consulting (20 Group) 2015-2016**
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 have enough computers for the amount of employees that we have in the parts department. But for the amount of volume we do, we have the most amount of hardware that we physically could have.**
43. How much of the replenishment/daily order is manually adjusted? Does it exceed 10%? **NO** 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? **Daily orders that are manually adjusted are SOPs and our stock orders are adjusted by Chrysler and then approved by Parts Manager. Those are done on a weekly basis.**
44. Is the trend of those changes in question #42 a positive or negative trend? **It could be seen as negative that we don't have enough space to have another PC but we also do not have more employees than we do computers.**
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? **DOC is digital and explorable via Dealertrack. Manager can view it at any time with live updates as the accounting office updates.**
47. Is the DMS Summary used to track inventory trends? **No it is all through Chrysler ARO.** 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 reviewed the scorecard and are aware of it. We were able to find all the answers we were looking for.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Very rarely. Less than 2 or 3 times per month will we find an error.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Yes. We check the top 150 once per month**

50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **Parts Manager does it Weekly, usually Friday afternoons we run inventory adjustment reports.**
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? **Everyone who can sell can log a lost sale but our DMS does not make it easy to log a lost sale.**
53. Who reviews the Lost Sales? When are they reviewed? **Parts Manager would. But we are terrible at doing lost sales tracking because of our DMS.**
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 they are monitored. But no the test/nonstock/watch feature is not being utilized. ARO does it. Tiered phase in system from ARO based on who else is selling it in our market, but again reviewed by the parts manager.**
55. What demand history does it take to place a part on the inventory stock order or in inventory? **If we sell 3 like transaction in 9 months.** Time limit and quantity are generally managed by Vendor Managed Inventory systems?
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **98%**
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)? **Everything is put into Inventory and 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? **Verbal- Parts manger does all shipping and receiving.**
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? **They are scanned in by parts manager. Yes they are cross checked and we would file a claim for 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? **Done automatically by dealertrack.**
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)? **Bin count irregularities are few and far between. Yes they are tracked by the parts manager on a weekly basis. Inventory adjustments are usually made on the 13th month. We periodically adjust the inventory for tires and reconcile it.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **\$12,000 positive adjustment.**
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? **They are, and we are currently working on that project. Jim is separating the source, and putting the obsolete parts in a separate sales source.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **Generally our controller.**
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? Typically the office does not get involved unless its extremely old. But everyone else is involved.
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? **Generally it fluctuates between 2 and 2.6. I calculated 2.88**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **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. **No it is not. But FTFR is solid.**

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? **In parts managers office and Jim would handle reviewing it with his employees. Our HR Manager verified that it is in his office.**
74. Is your Parts Department locked up each night? Who has keys? **Yes, Parts Manager, GSM, Cleaner, Shop Foreman, Fixed Ops Director, Owner.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes, they do**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes. Set by central office**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Outside of the parts department. The cameras hit each door. Tape is backed up onto HD and Web based.**
78. What one thing can your organization do to help you do your job better? **Bigger Parts Department!!**