

Fixed Operations One Homework Assignment

The following are Excel exercises found in the Post Class Excel Template:

- 1. Perform the First Time Fill Rate exercise on 50 repair orders. Do not include "One item oil changes", Special Ordered Parts repair orders, or factory recalls. Consider standing where the techs collect the parts from the counter. If they ask for 5 parts and they get all 5 then on that repair order the parts inventory would get a 100%. If they did not get all 5 to finish the repairs then the Parts inventory would get a "0" % (25 points).**
- 2. Complete the DMS Scorecard for one month. Be sure to color code the inventory conditions. (25 points)**
- 3. Complete the Post Class Action Plan. The Academy would recommend that you attempt a small problem rather than one that takes many months to complete. It needs to be very detailed and clear as to the necessary steps to correct the deficiency. (100 points)**

The following are found in the Post Class Word Document:

- 1. Have your Parts Manager answer the 78 questions provided in the Post Class word Document. This is a learning/understanding exercise. It is recommended that you answer the questions with the manager. Confer and provide suggestive actions. Change the color of the font to distinguish the answers. (50 points)**
- 2. The sponsor action plan verification form is on the word document. Copy and paste that form to be signed by your sponsor. Scan it to a PDF and place it with the Excel and Word documents prior to placing them into its drop box on your class site.**
- 3. These three files must be submitted to your class Dropbox site together. Reach out if you have questions.**
- 4. There is a Post Parts Class Threaded Discussion that will be activated after class ends and will remain open until the Sunday before your service week begins. The topic is: What is the biggest challenge or obstacle that you think you will face in trying to implement actionable items that you learned in your parts class? This is a two-part exercise: Your first part is to post a substantial posting of 25 words or more outlining your challenge or obstacle. The second part is, you will need to respond to at least three (3) other students' topics with suggestions, observations, and ideas to help resolve their**

obstacles and challenges. To obtain full credit (worth 300 Points) you will need both parts, your obstacle and/or challenge post and at least three separate responses to your peers' challenges and/or obstacles.

- 5. Finally: Best Parts idea needs to be posted to your class site Parts Best Idea Threaded Discussion. This should be an idea that helps control expenses or increases sales or gross profit. Please have all of them read just prior to your parts debrief the Monday of your Service Week. The class will ballot on the best idea at the 9:00AM break.**

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Parts Manager Questions

Have your parts manager answer the **78** questions found in this zip file. Confer and provide suggestive actions. **(50 points) Provide your answers in a different color font.**

1. How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair? **Every 30 days, we have a CD at the end of every month that updtes everything.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **No other FCA dealers in area, we are right in line.**
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. **Marking up parts 1.7 when its NAPA**
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, we have all set in place**
5. Do you have in place policies and DMS controls (via Exception or Deviation Reports) to prevent counter people from changing the pricing structure during daily transactions? What about Service Advisors? **No for parts people, yes advisors cannot change pricing.**

6. Is there a process followed to prevent the costing of parts at other than the established factory (OE) cost within the dealership when parts are placed into the inventory? (done through the use of +/- inventory adjustment account(s)) **Yes, parts always match factory - process is in place to go to the 585 account when bought at another oem dealer.**
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, cost is always the same even if we had to pay more.**
8. How are discount purchases tracked in the system to show additional profit based on the cost of the part from a particular source other than factory price?
Discount purchases show up as a credit on the financial statement and go to the 585 e account.
9. Do you have an internet presence for your parts department?
Yes, we do but it needs work and we are currently developing an action plan to sell many more parts online.
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? **Mopar e-Store, going to setup amazon, and eBay. Cost of the programs go towards advertising. No difference except on OBSO.**
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, however sometimes our Parts manager will go take them lunches, and other stuff.**
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?
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes, and there is access to parts on it as well.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Yes, once a month. Updated not enough.**
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? **Payplan gets reviewed every 60 days.**

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Yes, the counter guys get paid off of what they sell and the manager gets paid off of dept gross. They also seek additional revenue by contacting wholesalers and keeping a nice retail area. Also involved with the dealerships sales dept.**
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, just recently incorporated showing accessory brochures to waiting sold 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. **Yes, very low returns on wholesale customers. Sometimes body shop sends back if they realize they didn't need something. Not really an issue. We only deliver in town.**
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, our biggest competitor is Modern. They have 3 stores so probably not. Yes we deliver multiple times a day. Mileage radius is around 20 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?) **Marie checks them and yes they are.**
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. **Nothing out of the ordinary and pay is based off of what they sell.**
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 comptroller determines who gets credit and our A/R clerk does the payment portion.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **No**

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?
It is written **It is written on the invoice, if it is electrical it can not be returned. If it is returned there is a 20% restocking fee. Manager and AM can approve this.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Yes, if it is a wholesaler they pay upon delivery. Most WS is charge accounts. Service is pre paid if not warranty item.**
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? **30 days, yeah 10 ten days 20% restock fee**
27. Who are the parties that are involved in the SOP process start to finish?
Parts personnel.
28. Are special order forms completed in a legible manner so that the customer information can be read?
Yes done through the cpu then printed, nothing handwritten.
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?
SOP shelf - advisor if RO parts if it is counter retail, yes parts manager.
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?
SPORD locations, other items are bin located.
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 Mgr - \$13,500 for engines / Parts Director**
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) **Assistant Mgr - Parts Director**

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **GM - Yes**
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) **Less by around 3k**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **N/A**
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, not necessarily because it indicates open RO's with parts items on them**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **Do not use LIFO**
38. Is there an employee responsibility to function chart as was discussed in class? Are there specific inventory transactions (Grading, Ordering, Receipting, Posting, Adjustments, Bin Count Inventory, Returns, Cores/Dirty Cores) assigned to each of the employees in the parts department? (Functions vs Employee Exercise) **No, everyone does bin counts - PM and AM do the other responsibilities**
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 Director or Parts Manager - Yes through FCA**
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? **Everything kept online / Yes / Yes**
41. Has your Parts Manager ever taken a departmental Financial Management class like the ATD Academy? When was the last time they attended any formal Parts Management training? **No - never attended yet**
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? **Up to standard functioning right now.**

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?
Less than 10% / Parts director and/or Parts manager / Every Thursday
44. Is the trend of those changes in question #42 a positive or negative trend?
A positive
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **80 stock 20 outside**
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? **We print out SOP's once a week / OBSO - every other wk / Parts with no price once per month - NOH every 2 wks / 2213 from Reynolds on the 17th of every month (stored in GM office)**
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? **Yes, by end of April 2019 - everything in DMS except having a hard time determining FTFR**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Every month once we receive the CD**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Yes, breaks and filters most common**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **No**
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 as of March 25th - all parts ppl can track it
53. Who reviews the Lost Sales? When are they reviewed?
GM - on the 17th
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, no**

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? **Ordering it more than twice within one month. Yes FCA has ARO**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **95.6%**
57. Are all parts sold by the department placed in the Parts inventory and then sold from the inventory? Do you stock any items that aren't in your inventory (Shop supplies, get ready, bulk fluids like washer solvent)? **Yes, except NAPA products. Yes we have brake cleaner, other cleaning supplies that are under the 344 that go to advertising.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Written as you have to have one person always certified in Hazmat. Parts director.**
59. Who files damage claims on parts shipments received? **Parts manager or AM, have to take photos, submit then get approval to return unless it is just missing.**
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? **Everyone in the dept. Received through Reynolds. We have a packing slip then receipt it into Reynolds. Report them to OEM. File Unders or Overs**
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? – **Controller loads cd**
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)? **Every month a periodic adjustment is utilized.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **We were off by 3k and monthly bin counts/checks were implemented.**
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, No, No**

67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **Parts & Svc directort for both pending and completed.**
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 for parts and service, controller closes same day if not the next**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes twice a week**
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? **2.5 months / _____ /Yes**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel 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, but we do have to much stuff back there**
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? **Main office and copies are at manager areas. I have verified it.**
74. Is your Parts Department locked up each night? Who has keys? **Yes, Parts manager and parts assistant manager**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes we share one drawer. Warranty Admin balances the drawer.**
76. Is there a policy in place for overages for the cash drawer/balancing?
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **No, no one.**
78. What one thing can your organization do to help you do your job better?
Scan Tools, could possibly help. Eliminate the majority of human error.