

## **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?
  - Pricing levels are continuously monitored for comparison
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
  - Pricing is lower than our 3 closest competitors but within PAG guidelines
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.
  - Surveys are done periodically. Our parts pricing structure is competitive with our 3 closest same brand competitors.
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.
  - Pricing guides are set for Retail, RO Mechanical, Wholesale, Internal and Warranty
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 parts employee can change prices but it is closely monitored with weekly reports per audit while Service advisors cannot change parts 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))
    - Most parts are entered into inventory as OEM from the factory master pricing tape to prevent costing errors. Reviewed by internal audit
  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?
    - Most parts are entered into inventory as OEM from the factory master pricing tape to prevent costing errors. Reviewed by internal audit.
  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 are coded to the invoice at time of purchase so true cost is added to inventory, and discount is added to gross.
  9. Do you have an internet presence for your parts department?
    - Some internet presence...Dealer 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?
    - Merchandising programs are through our service dept. as a Parts and Service joint effort.
  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 have discontinued the use of 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?
    - No, we no longer have co-op
  13. With the growing use of mobile smartphones by customers do you have a mobile ready website?
    - Yes we have a mobile app

14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?
  - Yes, they are checked monthly
15. Pay plan reviews should be made at least on a monthly basis. When has a comparison been made between departmental gross profit and the personnel expenses for the department? Is the current sales level providing a sufficient profit for the pay levels established for the parts employees?
  - Pay plan are regulated by our HR dept. They are reviewed annually.
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?
  - We have 3 counters. We sell wholesale, retail, Internal and customer pay in our shop. We also sell to our own collision center as Internal.
17. Is a program set up to sell accessories to the customer in the sales department as well as the parts area of the dealership? If not, are you leaving potential sales and gross profit on the table?
  - We do have an accessory sales person.
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.
  - Wholesale customers are reviewed rigorously to PAG profit guidelines.
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?
  - We do not actively pursue wholesale parts sales per corporate guidelines.
20. Who verifies the “wholesale” customer applications to make certain they are really true wholesale customers? Are your state Tax-ID/Wholesale Certificates current (within the last two years?)
  - Wholesale customer applications are reviewed by our corporate accounting office. Tax forms are required by law, and audit.
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.
  - Expenses are monitored closely by myself and corporate.

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?
  - See #20. Parts manager is responsible for delinquent accounts.
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?
  - Financial Statement is available, but we use our corporate browser and have monthly MOR meetings.
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?
  - S/O policies are standard Reynolds and Reynolds.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?
  - We are not allowed to prepay S/O parts per corporate guidelines. We have S/O types which consist of Tech Counter, Warranty, Wholesale, Retail and Internal.
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 retain s/o parts for 30 days. All parts are returnable through Toyota's return parameters
27. Who are the parties that are involved in the SOP process start to finish?
  - Counter people start the S/O process. Parts are checked in by our warehouse personnel and then the S/O bin is maintained by a management assistant.
28. Are special order forms completed in a legible manner so that the customer information can be read?
  - S/O forms are not used. We are electronic and paperless.
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?
  - S/O parts are located in their own separate bin. Customers are called on part arrival by the BDC. The S/O bin is purged every 30 days. Returns are made following the Toyota parts return guidelines.
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?

- S/O parts are located in their own separate bin. Customers are called on part arrival by the BDC. The S/O bin is purged every 30 days. Returns are made following the Toyota parts return guidelines.
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?
- All counter personnel can issue purchase orders for parts purchases related to repairs in our shop, on an open Repair order. All purchase orders are approved/authorized by the parts manager. All fixed asset purchases over \$500 must be approved by the General Manager
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)
- Yes, the service dept. does, and the used and new car managers. The GM oversees the parts manager.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?
- Internal pricing policies are established by corporate.
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)
- Our current monthly reconciliation is showing the parts inventory value to be greater than the financial statement value.
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
- Reviewed by corporate.
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 abnormal for the difference to be more than 2%.
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
- LIFO is not used.

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 specific responsibilities in addition to their perspective counter assignments. There is a posted flow chart.
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?
- Training is handled by the PM. There are yearly certification requirements. If the requirements are not met, the dealership will not qualify for certain achievement programs and awards. Certification is mandatory for all parts counter associates but not part of 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?
- All training records are online at the Toyota Certification site. DMS training occurs constantly on R&R Ignite. If not completed, screen access can be removed.
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?
- PM has attended several formal Financial Management classes, and Parts College classes. Annual certification is also required through the Toyota Certification program.
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?
- Our computer hardware/ equipment needs are complete.
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?
- Daily orders are manually adjusted by more than 10%, as we eliminate un-needed collision related parts. Adjusted by PM and PM assistant.
44. Is the trend of those changes in question #42 a positive or negative trend?
- Negative. We are on daily orders. We can order until 6 pm and have the order the next morning.

45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?
- 0.2%.
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?
- PM stores reports in his office, and accounting also stores the report. Reports are used to constantly maintain and manage parts inventory, purchases, cores...etc..
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, is going to be useful. It will be incorporated immediately.
48. How often your Parts Inventory is adjusted for errors in part value or part quantity? (Moments in Time)
- Daily, if necessary.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)
- Yes, constantly.
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate?
- Yes
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...all parts counter personnel.
53. Who reviews the Lost Sales? When are they reviewed?
- PM and assistant review them. They appear on the daily suggested stock order
54. Are emergency ordered part numbers reviewed to see if they qualify to be phased in? Is the Test/Non Stock/Watch feature of the computer system utilized to test which parts to stock (Phase In)?
- Yes

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?
- To Phase in, a part must: 1) Have demand in 3 months out of the last 12 months with a total demand of 3 pieces. OR 2) Have been in inventory for 6 Months with an average demand of .50 pieces per month.
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?
- N/A we do not have vendor managed inventory
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)?
- 90% of all parts are added/stocked to inventory. The rest are in and out sales. Shop supplies are not stocked in parts
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?
- Some are written, some are verbal. PM is responsible
59. Who files damage claims on parts shipments received?
- Claims are filed by designated parts employee.
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?
- \* Orders are received by receiving clerk. They are cross checked and reconciled. Discrepancies are reported to PM and claim made by PM.
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?
- Perpetual inventories are performed regularly per audit, and physical is performed annually by an outside company
62. Who applies and loads the monthly price updates?
- Monthly updates/tapes are uploaded by PAG corporate IT dept.
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)?
- All are tracked or reviewed by PAG corporate and or internal audit.
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?

- Inventory value was adjusted \$2257.00 to the plus.
65. Are all obsolete parts that are on the inventory physically in the store?
- Yes, less than .4% of total inventory.
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 not separated from regular inventory. We do monthly returns.
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?
- PAG 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?
- 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?
- We are currently running a 28 day supply.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?
- Gross 12.8 True 7.7
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
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?
- Manuals are on the online portal
74. Is your Parts Department locked up each night? Who has keys?
- Yes, of course. The PM and GM have keys and 1 or 2 select employees.

75. Do your Counter-people have a cash drawer? Who balances the drawer?
- Yes, 3 cash drawers, balanced by the user and periodically verified by PM.
76. Is there a policy in place for overages for the cash drawer/balancing?
- Yes...The overage is tuned in to accounting.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?
- Yes, Parts manager, Service Director, and General Manager
78. What one thing can your organization do to help you do your job better?
- Better communication.