

## 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” % **(50 points)**.
2. 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 Microsoft 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. All of these files will be submitted to your class Dropbox (more instructions on this below).
4. There is a Post Parts Class Threaded Discussion that will open after class ends, You will be required to post the one topic that you came away with from the parts class that you have already activated or plan to act upon with the parts department. Once your peers start posting theirs you will be required to respond to at least three with points of clarification and reinforcement. This has a point value of **300** points.
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 are constantly reviewing and adjusting customer pricing based on the customers status (purchase volume, credit status and opportunities).**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Bergey's has a Director of Sales and Marketing who is responsible for establishing pricing based on market conditions.**
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. **Bergey's has a Director of Sales and Marketing who is responsible for establishing pricing based on market conditions.**
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. **Our DMS allows us multiple ways to manage customer pricing. We can set pricing to the part level, by source or make as well as by stock class to ensure we are competitive in the market.**
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? **We have the Parts Manager and a limited number of other parts personnel who are able to adjust pricing. The Service Advisors do not have the ability to change pricing unless they use a labor code with a specific price for the repair.**
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)) **All parts are received into inventory at their actual cost. The only exception is order total discounts which are coded in the AP process to a specific stock order allowance account. All price changes as a result of a receipt or manual change is sent to the manager on a daily cost change report.**

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? **All parts are received onto inventory at the actual cost we paid. One time purchases are received using a one time use unique part number and if needed then superceded to the part we normally stock it under.**
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 receive all parts into inventory at the actual price purchased for. Our DMS automatically tracks all value changes and auto reconciles the GL to the book value of the inventory monthly.**
9. Do you have an internet presence for your parts department? **Yes**
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? **Our Sales and Marketing are responsible for creating and distributing sales flyers and other marketing collateral to the stores, the outside sales team and the customers. Most stores also have a merchandise area that is maintained at the store level.**
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? **Yes, we have at least one outside sales representative per rooftop as well as a dedicated Marketing Specialist and a Director of Sales and Marketing. The role is too large to be managed by the Parts Manager.**
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? **Mack and Volvo do not offer specific co-op funds which are available through Hino, Isuzu and Fuso which can be used for merchandising and marketing initiatives.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes, we have a site which is mobile ready.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Yes, the sales and marketing role is responsible for ensuring the website is kept current.**
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? **We do not review the base pay plans monthly but we due review the commission reports for each month for potential issues which would negatively affect the performance of the department.**

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **The parts departments for Bergey’s have a very significant retail/over the counter presence which is independent of the service department. We have 50+ delivery vehicles across the branches to service our customers.**
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? **There is not a formal catalog available for the customer to pick from. We do have the display area in the facilities which highlight items that can be added to the truck during the purchase.**
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. **This is handled by the Director of Sales and Marketing. The proximity of our locations to our customer base does not often result in added costs to facilitate a delivery.**
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 have completed market analysis to identify the competitions footprint and have made adjustments to strengthen our abilities as needed. We purchase at the most competitive levels and usually do not have difficulty competing against the competition.**
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 Director of Sales and Marketing is tasked with identifying those customers. We have a separate A/R department that is responsible for ensuring that any required paperwork is kept up to date for the entire customer base.**
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. **Each year we do a comprehensive budget by expense category for all departments at each branch. Those budgets are developed with the Parts Managers and approved corporately. All Parts Managers are incentivized based on net profit and net to gross.**
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**

accounts receivables department is responsible for establishing credit lines for our customers. Our DMS has a built in function to require an authorization from the AR department when exceeding the credit limit or if the customers account is past due.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **The actual financial statement is not distributed to the managers. We have a program called Essbase which give the manager almost all of the same information by expense category so they are aware of the department's performance. This is available on demand.**
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? **We do not have a written policy. Each Parts and Service Manager work together to ensure parts ordered for a truck are used on the truck. In the situation where a truck must leave before the repair parts are used, they will either be charged to the customer, placed on another repair order or appointment for the truck to return or returned to stock and set up for return if outside of our stocking criteria.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **There are situations where we do require a customer to prepay for the parts and/or to provide a deposit to ensure they return to have the repair work completed.**
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 follow a 30-day return process on non-stocked parts that qualify for return. In some instances, we will assess a restock and/or freight charges to pay for the parts to be returned to the supplier.**
27. Who are the parties that are involved in the SOP process start to finish? **The Parts Manager, the warehouse lead who is putting the parts away and one of our inventory control specialists who will track parts for return on a weekly basis.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **Any special order parts originate from an open repair order or parts invoice in our DMS. All information needed to contact the customer is attached to the account on which the parts were ordered.**
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 parts for the service department are held in the parts warehouse with appropriate labels to identify the RO #, etc. The service**

counter staff are notified and they in turn with notify the Shop Forman and/or Service Advisors through Asist.

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? **Special order parts are kept in a separate are in the parts warehouse.**
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? **Most orders are placed by the Parts Manager or his assistant. The majority of stock parts are ordered using one of the various managed inventory programs such as LPA, PartsEye or HMI etc. Larger purchases are validated with the AR department to ensure the customer has the ability to pay for the repair when it is completed.**
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) **The Parts Manager will sometime delegate the responsibility to purchase to another individual in the department. The vast majority of repair parts and inventory for stock is common and the inventory value does not fluctuate much from month to month (which we track). Invoices are posted by a separate accounting employee who can question purchases that may appear to be irregular.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **The policies in place have been established by the VP of Operations, the Directors of Parts Operations and the Director of Sales and Marketing.**
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 DMS allows for an automated reconciliation on a monthly basis. This limits the chance of there being a difference.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **We would use this process if/when needed.**
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) **In most cases, there will always be parts received onto inventory which have not yet been posted to accounting. This can result in a difference if they are not accounted for in the monthly reconciliation.**

37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **Understood.**
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 use a list referred to as Core Responsibilities which determines which employees in the department are delegated what tasks.**
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 Director of Parts Operations manages the training requirements and schedules training as needed or requested. We also do a monthly one day Aftermarket Parts Training program with parts employees from each branch participating.**
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 track training for Safety, Parts and Supplier training for each individual in the parts department.**
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? **All Parts and Service Managers have attended the Parts and Service Operations class facilitated by ATD through Mack/Volvo in February of 2019.**
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 an IT department that works with the individual departments to ensure computer equipment is kept up to date and replaced when needed. Adjustments are made any time an employee indicates that a change could help their performance or safe work environment.**
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? **Managers work with the inventory control team to ensure they have an adequate amount of inventory on hand and to reduce overstock.**
44. Is the trend of those changes in question #42 a positive or negative trend? **Positive trend.**

45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **80% stock vs 20% emergency for Mack/Volvo. Some OEM's are much lower due to better managed inventory programs.**
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? **Daily reporting is e-mailed to the manager every day showing the changes of the prior day. They are reviewed for possible errors, sales and gross profit tracking and well as inventory adjustments and cycle count adjustments.**
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, need sample to evaluate.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Cycle counts are done daily and adjustments may be made for other items as soon as they are identified. Research is needed to ensure the error is not a result of an open posting or part sale that has not been pulled from the shelf prior to making adjustments.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Higher volume parts are counted more frequently to ensure the accuracy of the DMS information**
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, these are daily reports which the manager has early every day.**
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? **We do not track lost sales in our DMS at this time.**
53. Who reviews the Lost Sales? When are they reviewed? **Any potential lost sales are brought to the Parts Manager so he can determine if the part should be added to stock.**
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)? **We do this on a continual basis and once a part has 3 sales in 13 months, the item is flagged as a stocking part.**
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? **Our current criteria is that any part with 3 sales in the last 13 months (current plus the last 12) is considered a stocking part unless some reason such as size or cost would prevent us from stocking.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **We are currently between 80-97% compliant with the managed inventory programs we participate in.**
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)? **The only items not included in the DMS inventory is hardware which is sold and driven to a negative in the inventory and then adjusted back on.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **The current policies are mostly verbal unless a specific policy was created.**
59. Who files damage claims on parts shipments received? **This process is usually completed by the 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? **All orders are manually checked for accuracy against the packing slip and then checked again when the invoice is being posted to AR.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **We currently only perform a perpetual cycle count. No physical inventories are scheduled except in the case of a BUY/SELL of a location.**
62. Who applies and loads the monthly price updates? **Our suppliers and OEM's provide those updates to the IT department which runs them on the effective date.**
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)? **These are continually tracked and reviewed, in most cases on a daily basis.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **Not applicable.**
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? **Obsolete parts which are still in inventory are kept in their assigned location and will be removed once they have been removed from inventory for scrapping which we do monthly.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **This is the responsibility of the Service Department (Service Advisors and 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? **Incentives are paid to some staff in the service department for ensuring the department is keeping the WIP up to date.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes, managers have access to Essbase which provides detailed reporting on the performance of their departments.**
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 currently target a 30 day supply of most parts. Higher volume parts may be higher and slower moving parts may be flagged to ensure we keep the minimum needed to complete one repair.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **Our inventory turns for the branch are 6.5.**
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. **The current warehouse space exceeds what is needed to ensure we have the appropriate level of stock on hand.**
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? **Most policies for the dealership are available electronically on the company intranet and most are managed by the Human Resources Department. Exceptions are the department specific or store specific policies which are handled by the individual manager.**
74. Is your Parts Department locked up each night? Who has keys? **Yes, the entire facility is locked at the end of each day. Managers and other key personnel have keys as needed to enter the facility.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **A cash drawer is used and is balanced at least once a day by a office clerk.**

76. Is there a policy in place for overages for the cash drawer/balancing? **A corporate policy is in place and requires notification of the corporate account staff. Corporate accounting will determine how the amounts will be posted to the DMS and handled.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes, the entire facility has cameras in use 24 hours a day. The managers as well as corporate staff have access to review the cameras via a web portal.**
78. What one thing can your organization do to help you do your job better? **Bergey's is a great company. Family oriented and very fair to their employees. Most employees would like to have more time off to spend with family. The company adjusted the paid time off policy recently to provide for 2 weeks of paid time off as well as 4 personal days after 2 years of employment. This has significantly helped to improve staff satisfaction.**