

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 dealership's source pricing levels reviewed for competitive maintenance and heavy repair? **Every 6 months**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Yes, we are competitive and check every quarter.**
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. **Verified per Parts Manager**
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, counter retail is the same as service customer but warranty, wholesale and internal differ**
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, parts counter people have the ability to change pricing, but service advisors do not. A parts exception report (#2542) is run daily to monitor price adjustments**
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**
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**
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? **A separate report is kept to keep track of the discounted costs for additional profit**
9. Do you have an internet presence for your parts department? **The short answer is "yes, on our dealer website." But an actual active, effective and engaging presence is a "no"**

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 do not have a merchandising program in effect.**
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 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 factory merchandising dollars available**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Parts specials are updated 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 plans are reviewed monthly. Current sales level is sufficient profit for current pay levels.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Mainly service sales and internal sales. CSI is such an important part of the operation and we try to give our customers a great experience each time they come in. We do not actively pursue additional wholesale because of the gross margins in our area.**
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 accessories displayed in the sales department, as well as accessorized vehicles. We have a very small display at the parts counter. We are leaving potential sales on the table without a more engaging display in the parts area.**
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, wholesale accounts are reviewed regularly to determine their worth to our department.**

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, we study the wholesale market within our area. We are not equipped or staffed to deliver multiple times a day
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?) Parts manager verifies wholesale applications, parts personnel review tax id's every 6 months
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 discussed monthly, and they are allocated. Pay plans are based on sales and gross vs net profit.
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? Parts manager and business office manager determine creditworthiness and accounting office chases the receivables.
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? Yes, monthly
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? SOPs are nonreturnable, and our policy is printed on parts invoices and repair orders. If the customer complains, we will make exceptions for CSI purposes.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? 100% Prepay on all customer pay, shop and front counter. Warranty SOP does not require prepay.
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? Typically 90 days, no return charge.
27. Who are the parties that are involved in the SOP process start to finish? Parts counter personnel sells the part and it is ordered via DMS. Part is checked in by shipping clerk and placed in Special Order Bin by name. Counter retail customers get a phone call and email from the counterman that ordered. Service customers get an email from parts department and advisor is notified to contact as well.

28. Are special order forms completed in a legible manner so that the customer information can be read? Yes, and a printed label is created upon arrival with customer info.
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 located in the same bins as the other SOPs. The parts and service departments both notify customer of parts arrival. Service advisor is contacted once a week after initial arrival. Parts manager determines when part is returned.
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 have designated bins, they are not inserted with the stock 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 manager controls the orders and the dollar amounts
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) Parts manager and counter men have authority to use PO system with approved vendors. Accounting office monitors purchase invoices
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? Internal pricing is discussed and set by general manager. All internal purchases run through the parts department for proper control.
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) It exceeds the financial statement dollar amount
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) Not an abnormal condition, as parts hit live inventory instantly even if accounting has not loaded them or their dollar amount. It's just a lapse in calendar days with the events.

37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **N/A: 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)
There is not a function chart for employees. Specific transaction responsibilities rotate between all of the employees except for the responsibilities that only the parts manager handles on his own.
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 manager and AHM has testing**
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? **Yes, AHM maintains records**
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, manager has never attended Financial Management class. Last formal training was last year.**
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? **The equipment meets daily needs and is in the correct locations**
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?
20-25% of the daily order is manually adjusted by the parts manager
44. Is the trend of those changes in question #42 a positive or negative trend?
Assuming this is about question #43, and it is a negative trend. Less than 10% of ordering should be done manually.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **Stock order 50.9% and emergency purchases 0.3%**
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? **Parts manager prints all of the reports and stores them in his office. He monitors SOPs, exception reports, phase in/out, 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? **The DMS summary is used to track inventory needs. We have discussed the Scorecard and hope to incorporate it soon. The DMS report has all of the info for the Scorecard.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Parts inventory adjusted weekly when doing perpetual inventory**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Yes**
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? **Parts manager and counterpeople, no others**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **No, not accurately. All counterpeople can log lost sales**
53. Who reviews the Lost Sales? When are they reviewed? **Parts manager reviews lost sales monthly**
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, emergency parts are reviewed for phase in potential and the computer system is utilized**
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? **3 lost sales in 6 months, managed by inventory systems**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Honda does not have a 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)? **All parts are placed into inventory before being sold. No parts are stocked without being in inventory**

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? Procedures are all verbal, not written. The parts manager is responsible for these policies
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? Parts counterperson receives orders and checks them in via scanner. Manager checks for discrepancies within reports
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? Reynolds and Reynolds
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)? Updated monthly and checked by manager
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? \$5773.38 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? No, they remain in gen-pop
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? Service manager and parts manager
68. Do the Parts, Service and Body Shop Managers along with the Office Manager/Controller together follow up on all Work in Process (WIP) tickets and verify that they are closed out in a timely manner? Yes
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? Yes
70. What is the months' supply of the inventory? Does this match the students calculations found in their FS Parts Excel template? Are too many parts stocked in the inventory based on this calculation? 26 days supply, matches calculations done in class. Not enough inventory is being stocked

71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? Gross turn 13.5, true turn 7.2. Close to calculated turn in class, but not exactly the same
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, our first time fill rate is lower than I expected it to be
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? Policies and procedures are available online only
74. Is your Parts Department locked up each night? Who has keys? Yes, the parts manager and the lead counterperson/assistant have keys to the department.
75. Do your Counter-people have a cash drawer? Who balances the drawer? No, cashier handles all cash and transactions. Also responsible for balancing drawer
76. Is there a policy in place for overages for the cash drawer/balancing? Yes
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? No security cameras in place
78. What one thing can your organization do to help you do your job better? I believe that the Penske organization provides a good level of support and all the tools I need to perform to the best of my capabilities.