

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? **Not much competition in our area. We do this quarterly.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **We have a set "stairstep" matrix in place. Slightly higher than our competition but we have the parts and better experience so we can ask a little more \$.**
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. **Just this last month we lowered our pricing matrix in some areas to be more competitive. We have a deeper inventory and better experience so we can ask more \$.**
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, our dms does have pricing guides for various types of customer. Wholesale is a list minus %. Retail is matrix list plus %. Employee is cost plus %**
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? Parts ppl can control pricing but service cant. We run an exception report to spot major dips in %'s

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))
CDK throws error code/red alert when you are at a % that is too low. Pay plans reflect % of sales margin so if it goes below certain margin it effects their own pockets
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?
No. We do monthly inventory reconciliation that corrects it
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 rarely have discounted purchases to track but the ones we do are caught in reconciliation report at month end
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? We have a boutique. Cost vs sales generated doesn't sum up to very profitable bc the parts are available online for minimal margin.
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. Sales pays for the employee
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? We can earn more money by factory purchases. We use all of the money we earn. The more we buy the more we get. We have used 100% ytd
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? Yes. Once per month. 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? Yes, the sales level is providing sufficient pay for their pay. Yes, we look at this monthly
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? Always seeking additional revenue. Bring it
 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 – we have our own accessories dept in sales plus we use insignia
 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. Every Monday we look at a report of which wholesalers haven’t bought from us in a while plus those who have a 15% return rate
 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. Major player is no one around us besides the other Subaru dealer here but not too much competition. To make a difference we have a better experience and keep our ppl well trained. Yes 2-3 times a day. We wholesale to all of Texas and half of Louisiana and half of Oklahoma
 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 parts manager checks this and has a rolodex file of tax id certificates of customers. We get checked every 3 years
 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. Lee can control freight and somewhat of outside services and somewhat of supplies other. Everything else is allocated. Lee gets paid on net. Counter people get paid on 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? Comptroller comptroller account receivable

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? No returns on anything that has been installed or packaging destroyed. 20% restocking fee. Its written and posted on all our parts invoices Lee reviews and approves
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? No one prepays – 45 day window to return
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 to retain and 45 days to initiate. 20% restocking fee within a 30 day window.
27. Who are the parties that are involved in the SOP process start to finish? Parts manager and counter person
28. Are special order forms completed in a legible manner so that the customer information can be read? No forms. We use cdk to send them an email when parts are receipted in. multipoint lets service know to tell the customer the part is in
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? Located in parts dept right behind the counter in front part of warehouse. If service customer, advisor lets customer know. If parts customer the parts counter person notifies. As it nears 30-45 days we process return.
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? They are separated
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? Lisa – parts specialist. Most pos are for other make recon. No set \$ amount as long as we are making % markup we are gold.
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) Counter people. They are empowered. We trust them. No extra signature

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? Lee the parts manager and I worked together. Yes everything goes through Parts
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) Right now it shows a credit. Working on getting this fixed
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) posting error or stealing.
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) yes abnormal condition. Parameters in dms not right. Monthly reconciliation is good thing to do to check for abnormal spikes in inventory levels
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
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 we have specific people in charge of receipting, ordering, reviewing, adjustments, etc. it's a machine
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? Reviewed last month. Not part of pay plan. It is requirement through manufacturer
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 in subarunet. Never on DMS. Parts catalog training is manufacturer.
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? Yes. Last time formal parts training was August '18
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? Yes.

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 3%. Reasons for adjustments: parts eye suggests stock orders. Lee makes changes
44. Is the trend of those changes in question #42 a positive or negative trend? positive
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? 98%
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? Printed on a monthly to understand areas of improvement. We look at it to help with dialing in inventory
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. We use the scorecard already – monthly. The dms helps us find these answers quickly
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) Weekly
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) Yes. Bin checks happen weekly
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. Counter people
53. Who reviews the Lost Sales? When are they reviewed? Parts manager and parts eye (daily)
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 phase in/phase out watched by parts eye and parts manager

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? **2 demands in 12 months**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?
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. No.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Both. Parts Manager and Warehouse Manager**
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? Warehouse by scanner. **Yes, exceptions report. Parts manager fixes 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? **Noe.**
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)? **Yes corporate auditor - noe**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **It was off 25%. We had to adjust book value**
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. we don't have a problem with obso**
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 manager, service director, gm**

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 weekly see 67**
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? **1 mo supply. Yes. No.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **8.95. 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.**
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? **Online in our employee handbook.**
74. Is your Parts Department locked up each night? Who has keys? **Yes. Parts manager and all counter people and 2 warehouse people and service manager and gm**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes. They do plus our office manager**
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? **Nah. No one no tapes**
78. What one thing can your organization do to help you do your job better? **Continue to provide all the tools needed and freedom**