

## Verification Form Regarding the Departmental Action Plan

### Fixed Operations 1 Week Post- Class Homework Assignment

Dear Academy sponsor,

One of the post-class homework assignments given to your manager at the conclusion of week two at the Academy is the Departmental Action Plan form. The student's assignment is to show you the format of the assignment, explaining to you the purpose of crafting a departmental action plan after week 2 of the Academy. This assignment will be completed four separate times, (classes 2-5) after the student has attended the fixed operations 1 parts week, the fixed operations 2 service week, the variable operations 1 class week and the variable operations 2 class week. The progress of the student's departmental action plans will be assessed by each of the Academy instructors in weeks 2 through 5 of the Academy. Please sign this form below which indicates that the student has reviewed the departmental action with you, and have your student bring the form with them, when they return for their fixed operations 2 parts class. We will collect these forms at that time from the students. The student will receive a pass/fail grade, based upon whether they submit this form signed by you. This is being done in order to verify that each student has shared the Departmental Action Plan with their sponsor.

Thank you for your cooperation.

Sponsor's Printed Name LOWNIE COOK  
Sponsor's Signature Lownie Cook Date 7/14/19

Very truly yours,

Departmental Action Plan

Dealership: Empire Truck Sales

Student Name: Jason Dunn

Academy Week: Week 2

Class & Student Number: 041

Current Situation: Currently, the Jackson parts inventory has almost \$150,000 of parts that does not meet stocking criteria. These items are primarily Special Order parts that were not picked up by our customers or used on the repair. These item will remain on the shelf until they are picked up on our return process or become obsolete.

Overall Objective: Reduce the amount of Special order parts that are placed into our inventory by implementing a new process to train our employees, identify the SOP items that are not used, and develop a return process to quickly process the items and return them to DTNA. The goal is to reduce these items making it to inventory by 75% by 12/01/2019 which will increase our inventory turns and will also reduce our obsolescence over time.

Proposed Timeline: This process can be implemented immediately and results should be seen quickly. Our number of PARs to DTNA should immediately increase. Also, our parts inventory should decrease as we reduce the amount of "watched" inventory that has a stock quantity. We should see steady progress through out the year but, by December 1 2019 the goal is to see a 75% reduction in these parts making it into inventory.

Action Plan: 1. Review and train staff on Special Order Processes 2. Implement weekly report to identify items that do not meet stocking

Requirements

Meeting with Dealer: Reduce the amount of Special order parts that are placed into our inventory by implementing a new process to train our employees, identify the SOP items that are not used, and develop a return process to quickly process the items and return them to DTNA. The goal is to reduce these items making it to inventory by 75% by 12/01/2019 which will increase our inventory turns and will also reduce our obsolescence over time.

Meeting with stakeholder(s) (dealership personnel): Describe what is in place to support desired goal: Training / Coaching / Consequences related to results / Pain & Gain Must review special order processing with team members. Reporting is ran weekly to review the items that are not sold and a review conducted between the team members and Parts manager. A trending analysis can also be set up to monitor individual sales people's rate of returns or special ordered parts that are not claimed by our customers.

Accountability: Monitoring progress: Who: Inventory Control What: Sending our items identified that do not meet stocking criteria weekly. By When: Report is to be sent out weekly to Parts Manager to review and will also be reviewed by General Parts Manger during monthly branch check. How: These items will be review by each location's Parts Manager and staff to see why they are in inventory. We can

Describe checkpoints that have been established to measure progress: Daily / Weekly / Bi-weekly / Monthly / Date(s) for review: This report will be sent out each weekly by Inventory Control.

Estimated cost for implementation: This is strictly process related. No cost to implement; however, implementing this process can save us at least 2% in return fees and no freight costs for returning the items compared to our regular return process.

Projected Date of Completion: 12/01/2019

Sponsor Signature: [Handwritten Signature]

Evaluation of Results: include measured results. Impact Areas: Sales / Gross / Expenses / Net Profit / CSI /

PLEASE BE ADVISED THIS ASSIGNMENT BY IT'S SELF IS WORTH 100 POINTS.TAKE YOUR TIME AND GET IT CORRECT



## **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 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? Pricing is reviewed on a quarterly basis although interim changes are made based on Gross Profit Percentage and other reporting such as price overrides. "Specials" and market pricing
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. Relationship pricing / Volume levels. Pricing can be set on different levels. Market pricing for certain items at all locations and may be as detailed as a specific part for a specific customer.
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. Annual review on main "everyday low pricing items. We also review the specials mailed and/or e-mailed by 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. The system does have base price models that we apply. Pricing is set by the General Parts Manager; however, managers can work with customers to build business and set pricing. The General parts manager is the only person that sets the pricing in our system.
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, Our "Daily Exception Report" is used to monitor the pricing but, any employee can price override -No special credentials are required.
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, 'overrides' and Nonstock inventory procedures.
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? "Stock order discounts" a misc. code placed on the Purchase Orders to offset posted to invoice prices.
9. Do you have an internet presence for your parts department? Yes, it is built into part of our current Web page and service. We also, support Pinnacle Truck Parts which is an OEM sponsored parts ports. Currently, our internet service only track clicks. No lost sales or sales activity is tracked. PTP has tracking for both of these.
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? Monthly and Weekly specials. Also, use specials to support location's Blitz. Currently, we have not been tracking the cost to sales generated; however, we are changing to a "Coupon" based marketing strategy to make tracking and reporting easier.
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? Currently, only two outside parts salesman among all Empire locations. Jackson and Monroe. Parts outside sales activity is supported by rotating the counter staff into outside parts sales support.
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 programs offered by DTNA at this time. Something is supposed to be released this year.
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? No. (In process/reviewing alternatives)
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? No Coupons but, we run specials – 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 on a monthly basis as the General Manager of Parts calculates commission for all "commissioned" employees. We also, review the selling gross and thus sales expenses on a monthly basis.
16. Does the parts department actually seek additional revenue or "live off" the sales of the service department only? If not why not? Parts Front counter and Back

Counter parts sales are needed and depending on the volume through our shops and can vary by location and market size. Our largest growth opportunities are seen through our shops.

Front Counter (External) to Back Counter (Internal) Sales for June

Jackson – Front Counter 79.2%

Back Counter 20.8%

Mobile - Front Counter 64.9%

Back Counter 35.1%

Slidell – Front counter 61.3%

Back Counter 38.7%

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, the sales department will sell accessories with truck sales transactions.**
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. **Not done weekly but reviewed. Currently, use Elite Extra to track metrics.**
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? **Daimler OTC program. Cannot 'hotshot' 2-3 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?) **This is handled through our corporate credit department.**
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. **We base our manager pay plans on Selling gross. (Gross less Variable Expense)**
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? **Corporate credit department.**

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? *Yes. Also, a DOC is published every day.*
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? Ordering has been a very relaxed process in the past, we are reviewing our special order process now.*
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? *We don't require pre-payment of SOP unless it is a "cash Customer" and the items is being sold over the counter. These guidelines can also be better established.*
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? *Pre-paid are held for customer pick-up. If not pre-paid and they do not pick-up, then yes, a return / restocking fee is charged. We have 30 days from purchase to PAR a part; otherwise, the item must go on a monthly return which cost more fees and freight expense back to the OEM.*
27. Who are the parties that are involved in the SOP process start to finish? *Parts sales, customer, cashier and inventory control. Need to establish more with the Technician and Foreman as an OFI.*
28. Are special order forms completed in a legible manner so that the customer information can be read? *They are completed in our DMS.*
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? *Holding area if a ticket is open. If not, it is placed in the front counter will call section on a front counter ticket. We have recently placed a 7 day limit on all front counter (Will-call) tickets but, if we have the truck scheduled to come back for a repair this limit can be extended.*
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? *Held in special area.*
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 with no \$ amount level set for items that are going into inventory. A very specific structure and dollar amounts are set for expenses and assets that are not tied to the parts inventory.*

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 counter and service management. Can use outside vendors to conduct the repair. The item must be sold. No stock purchases for outside vendors, Purchases are managed by the General Parts manager and Inventory Control.*
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? *Parts manager along with the General Parts Manager. Internal Pricing between departments is established in our Corporate management guide and these rules are re-enforced in our price matrix setup.*
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) *Stock Status is lower but, it is due to WIP. We are working on a Monthly Reconciliation report to more easily identify issues. Currently, the General Parts Manager and Inventory Control review this. With the elimination of negative on-hands reconciliation has become much easier.*
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 very seldom see discrepancies other than our Non-Stock account. Our GL should balance to the WIP reports. No Non-stock items are inventoried.*
- This would mean we posted something that is not billed in the case of non-stock.*
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) *We very seldom see discrepancies other than our Non-Stock account. In this case we billed an item that is non-stock and did not post it.*
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
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.*
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? *General parts manager along with local parts manager. Reviewed every 6 month employee evaluation.*

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.**
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.**
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 diagrams for each location. Currently, we have adequate equipment for each locations parts department including retail, shop, and support (warehouse functions).**
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? **None. RIM. Inventory Control monitors stock on "Bulk" items or high movement commodity items.**
44. Is the trend of those changes in question #42 a positive or negative trend? **Equipment supports our needs at this time.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **90% to 10% or greater.**
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? **Open PO, NO LOC parts, Aged PO. Many of the items that are covered by "Moments in Time" but, we are going to add to these items.**
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? **No. But Inventory Control and General Parts Manager will be digging more into the differences between the DMS and Rim.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Daily.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Cycle counts. A more structured daily count system is being established.**

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 sales personnel.**
53. Who reviews the Lost Sales? When are they reviewed? **General Parts Manager. It is a metric that we also review in our quarterly financial review at each location. We are working on a more routine report to be sent on weekly basis.**
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)? **Computer phase in and out.**
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? **Minimum of 3 hits.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **99.97%**
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? **We have an electronic 'management guide' that we reference. Also, a basic warehousing manua has been made as a reference guide.**
59. Who files damage claims on parts shipments received? **Warehouse and 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 – Yes – PAR**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes. Current perpetual inventories are being created by each location and is reviewed by the General Parts manager as part of the Monthly Branch Checklist.**

62. Who applies and loads the monthly price updates? *IT loads price tapes and Inventory control monitors the pricing and makes interim price changes as they occur.*
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)? *No. Procede uses Average Costing and we do not make periodic book adjustments. All payables are reviewed by Inventory Control to ensure proper coding. IC also maintains all vendor payable and receivable schedules.*
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? *All adjustments and journal entries are posted at the conclusion of our inventory for a full reconciliation.*
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. However, a months no sale filed is available*
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? *Local and senior management.*
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? *Our WIP is closely monitored.*
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? *Turns Ratio and Month's Supply is tracked on a monthly basis. General Parts Manager and Inventory Control Manager review.*

*Jackson – 2.25 Mobile-2.13 Slidell – 2.29*

*It does not match but, very close. We use a two month average for inventory value to avoid spikes.*

71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? Jackson – 3.71  
Normally we do not calculate but will going forward.
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. Fill Rates Can be improved upon but, Inventory turns is lower than Guide. This will be an opportunity to work on our mix of parts as it applied to the Fill Rate.
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? We have a 'Management Guide' that is on our computer desktop.
74. Is your Parts Department locked up each night? Who has keys? Yes. Security guard.
75. Do your Counter-people have a cash drawer? Who balances the drawer? No. The cash drawer is located at the cashier. On the weekends, we have a cash box that has to be counted/verified prior to shift and after with a sign-off of 2 people.
76. Is there a policy in place for overages for the cash drawer/balancing? Yes. Must report directly to our Credit Department in conjunction to completing all daily cash reporting.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? No. Not at all locations but, in process of adding.
78. What one thing can your organization do to help you do your job better?  
Continue to evolve as a company. We have implemented many changes in the last several years that have positively impacted our business, employees and customers.