

## **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? **We do this every 60 days and also 60 days by list price.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **We went to Matrix Pricing 30 days ago so this will be a process. Right now we appear to be pretty much in line with local competition besides some of the really deep discount bottom fishers like Walmart and Amazon for which we question their warranties and product qualities.**
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.

**We do this on an ongoing basis. But since much of our Parts work is for Service and Internal we often don't have as much price comparison as long as the overall price of the R.O. and Service Ticket is reasonable and/or the end price of the used unit. We are trying to increase pricing under Matrix Pricing to get our gross margins up to guide.**

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. We see potential for higher pricing on Internal work by pushing more cost into used inventory.**

**We do give employees pricing at cost plus 10 percent. Our goal is to set pricing to match Gross Profit NADA guide as you will see in our Departmental Action Plan.**

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? **Tickets are reviewed daily by the Manager and Assistant Manager. CDK Override reports are reviewed periodically as well. Also Top Management and the office review reasonableness and Year end physical inventory can turn up any pricing issues or procedural issues.**

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))

**Only non OEM parts are put in at cost other than OE cost. We use cost as purchased cost including shipping and do not have deviations except in exceptional situations approved by the Parts Manager.**

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. Warranty Parts we collect a variance and if not we take the variance to Cost of Sales directly in account 68701 (unfavorable price variance).**

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? **Account 68700 (purchases allowances) and sorted by Vendor.**

9. Do you have an internet presence for your parts department? **We do have pretty good access to our Parts Department information on our Dealer website. We recently strengthened this and added more Parts links and information based on what we learned in Parts week at NADA. We do not have all Parts inventory for purchase on the website, but do drive traffic to the Dealership via Parts Website content.**

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? **This usually runs through Service as they have a five member BDC/GRC. Parts does not get the direct benefit of these types of lift programs but is expected to support these programs and be in the know for inventory purposes so we can keep our First Time Fill Rate high.**

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. This is a thought for future follow up but now we are mostly focused on Parts for our Service Department.**
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? **\$15,420 used to date this year. We used \$7,297 and still have \$8,123 available. We work regularly with our General Motors Fixed Department rep. to make sure we are compliant on the PASE program in all three categories and maxing our dollars through PASE.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes, we have the McCluskey Mobile APP called “M Bucks”. It is a great platform and a springboard for future parts ideas. Right now we drive a lot of sales and service traffic via the app which indirectly spills over to benefit Parts.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **No. This is an opportunity but most internet Coupons are Service Department which indirectly drives Parts business for sure. Although the Parts Manager answer is no, our Marketing Team does consider this.**
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? **This is not checked every month but our gross does support our Pay Plans. The CEO and CFO track various metrics of headcount Gross per Employee by Department etc. on a monthly or quarterly basis.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Yes, to a point. But the service Department is so busy to some extent we are not overly active looking for other business. We do have some level of wholesale business, but this has become lower margin than what we get through Service.**
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 focus on accessories and often try to accessorize our New Vehicles too. After NADA we put up some additional Parts and Accessories racks within the Floor of the New Car Department which is great.**

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. **Local delivery only is offered and we do review this regularly but not weekly.**
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 are not a big player in wholesale and only do what we can make a profit on.**
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 does this in cooperation with the Office. Certificates are reviewed every year to make sure they are current.**
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. **Parts Pay Plans are linked 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? **This is done with a cooperative effort of the Parts Manager, the Parts Assistant Manager, the CFO, the Office Manager and the Accounts Receivable Manager.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Yes and 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? **Policies are reviewed orally with our staff. We do not have policies posted in the shop but the Parts Manager does keep written policies in the Company Policy Manual.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Parts Counter sales are 100 percent upfront payment required. For Service R.O.'s the policies are more liberal but the Service Department is requiring 50 percent down on major orders. We have an SOP bin where we keep any SOP orders for up to 30 days before returning to stock.**

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? **Up to 30 days goes to SOP bin. A 35 percent restock fee is charge on SOP Parts.**
27. Who are the parties that are involved in the SOP process start to finish? **All Parts Employees. We feel they are all adequately trained to do so.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes. They are computer generated and 100 percent legible.**
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? **SOP Bins in Parts. The Service BDC/GRC calls the customer. The Parts Manager will also follow up if needed for slow responses.**
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? **Separate SOP Bin for all of these.**
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? **Counter people can issue P.O.'s for Parts Inventory. P.O.s are reviewed by Managers.**
32. Does anyone other than the parts manager have direct purchasing authority from outside vendors? Who oversees the Parts Manager? (Double signatures, Perusing the Parts Dept. purchase invoices) **Yes, the CEO, the CFO and the Vice President of Sales or the Service Manager.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? General Motors sets the pricing. **Not all internal purchases run through Parts. Office Supplies run through the office. Minor shop supplies run through service as two examples.**
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)**We do not do a monthly reconciliation. We do a two-day physical inventory every November and make an adjustment to the Cost in Parts Inventory and to the P&L. This process takes a lot of time and labor effort.**

**We are willing to consider a Monthly Reconciliation but are not sure if we have the time or resources to do this regularly.**

35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **This has not been an issue in the past but yes we would look for them if this happens. Our Accountant/Assistant Office Manager is very diligent in following up on any exceptions from the Physical Inventory.**
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) **No, it is usually pricing/costing since we only true it up annually.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **We are not currently on LIFO but are considering it for tax savings in future years. There were some issues we identified with LIFO though as you cannot do separate inventory write up or write downs if you make the LIFO Journal Entry.**
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, the primary responsible parties for these items are Shipping and Receiving clerks, the Parts Administrator and the Parts Manager and Parts Assistant Manager. Duties are very well defined as the Department is constantly busy and has no time to spare. We will see about documenting this in an organization chart in the near future.**
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? **We are lucky to have excellent training on G.M. Global Connect, the OEM website. We monitor this in our Corporate Administration to make sure all employees are receiving adequate training. We recently sent our Parts Assistant Manager to NADA Academy in Tyson's Corner, VA as well.**
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? **Records of G.M. OEM Training is kept automatically in G.M. Global Connect. Our Parts Assistant Manager has been to a few Parts Training Courses in the area and also Haz Mat Training. The Parts Manager went to numerous training programs earlier in his career.**
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? **One year ago in Columbus, Ohio for the Assistant Manager for Parts Training. No formal Financial Management Training but on the job training. The Parts Manager attends our Monthly Management Meeting and goes over the Parts Monthly Financial Statement.**
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? **Generally the resources are adequate. We use CDK, our DMS for most all Parts needs as well as interfacing with various OEM G.M. software. We are very pressed for space so literally could not fit in any more capacity of technology hardware as it stands unless we expand into a bigger space.**
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? **Manual adjustments are very rare and would only be made by the Parts Manager. Most of our stocking requirements we manage through our adherence to the General Motors RIM program.**
44. Is the trend of those changes in question #42 a positive or negative trend? **Negative according to the Parts Manager. So much effort was put learning certain things so change driven by technology complicates things.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **Outside purchase are generally running under 20 percent as far as Emergency Purchases. We currently have a CDK DMS Fixed Ops expert engaged with us to reduce this number and monitor it. CDK does a good job tracking this for us.**
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? **Yes these reports are printed and reviewed daily and kept in the Parts Manager's office.**
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 are currently referencing the DMS scorecard and also our CDK DMS Fixed Departmental consultant helps us in this regard. We generally are well guided by the RIM program however.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **We constantly update for accuracy. If a parts**

- counter person notices a discrepancy when pulling inventory the Parts Manager will investigate and correct what gave rise to the error. If the cause of the count differences is not found, which is rare, an adjustment will be made in CDK and in Accounting accordingly.**
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? **Yes.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes, we constantly try to improve our tracking accuracy but might miss some from time to time. The CDK Consultant is helping us improve our tracking of lost sales.**
53. Who reviews the Lost Sales? When are they reviewed? **The Parts Manager who has a good feel for flow of orders and which ones to stock based on past experience.**
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. This is done by the Parts Manager. The G.M. RIM program is also very helpful with this.**
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? **RIM manages this. We also have statuses through A,B, C, D quantity level analytics. We tend to stock a buffer on regular items like wiper blades and air filters to make sure we don't have lost sales on these high frequency items.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **95 percent.**
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 exceptions in terms of Parts.**

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Written and verbal and reviewed and enforced by the Parts Manager. The best place for this is the job description summary write up used for hiring. This defines the role of each position well.**
59. Who files damage claims on parts shipments received? **The Parts Administrator which is a separate position in our Dealership to keep up with these types of jobs/duties.**
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? **Shipping and Receiving Personnel are responsible for this. Everything is cross checked and discrepancies are quickly followed up on. Adjustments are made to short/over account if minor and later corrected if resolved.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes. Annually in November and then tried up to year end with a year-end Auditor Review.**
62. Who applies and loads the monthly price updates? **The Parts Manager does this the first of the month each month. He also runs and reviews the RAD report monthly in CDK which tracks any appreciation or depreciation in Parts Inventories.**
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 and Yes. The Parts Manager does this.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **There was a pretty large right up due to value increases. It was over \$100,000.**
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? **There is not a separate location but they are monitored on the Month End Trend Reports. We often discount Obsolete Parts and sell to other Dealers in our Auto Mall to get rid of them. The system also helps to provide automatic phase in and phase out through G.M. RIM program.**

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 done in service by our Service BDC and our Service Administrator.**
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? **We used to be bad at this but the BDC Manager came up with an idea to hire a collection agency to chase old unpaid tickets so we will be implementing that soon if approved by the CFO.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **The Parts Manager has his own DOC and tracks daily gross profit. The Parts Administrator helps with this.**
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 completed this in Class and can track any time in CDK. The goal is 1.5 months inventory but we have 2.2 months' inventory so more work is needed in this area. We tend to err on the side of excess inventory slightly given our high volume in the Service Department which means big opportunity cost of any items that can't be first time filled.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **Our true turns have been in the range of 3.0 to 4.0 and do agree to what we show in class. We definitely can improve this metric going forward if we reduce our emergency purchases and we will continue to work on this with help from our CDK consultant.**
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. This is why our emergency purchases are a little high and true turns low. We are looking into a separate building if we are successful obtaining more land behind our dealership. We could store more tires back there and other items that currently we do not have space for.**
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? **The Parts Manager keeps his in his office. G.M. has lots of policies on G.M. Global Connect as well.**
74. Is your Parts Department locked up each night? Who has keys? **Yes, only the Parts Manager, Parts Assistant Manager and I.T. Director have keys as well as the Cleaning Company.**

75. Do your Counter-people have a cash drawer? Who balances the drawer? **No, it is now kept over in Service. It is balanced by the Service cashier.**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes in Service.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes, I.T. has these and we can pull them out by time and date if any issues occur. Most of the internal and external of our Dealership and other locations-used cars, etc. are under camera surveillance to prevent theft.**
78. What one thing can your organization do to help you do your job better?  
**Re-evaluate the physical layout of the Department. Perhaps put a separate walk way near Parts. Right now there are Departments all around Parts and workers cut through Parts on their way to other Departments which creates distraction and inefficiencies. This goes back to not having enough room at the Dealership.**