

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? *This is done yearly, but also can be verified when a customer brings a part in to be installed.*
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. *The napas, auto zone etc, are cheaper on a lot of their parts, but we have factory parts.*
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. *Chose brake pads for this example. Called around and we are very competitive. We weren't the lowest but also not the highest either.*
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. *Profit potential could be improved if we charge retail for our used car parts to our used car department. We are not in a big wholesale market so we don't need to underprice too much. One problem I saw was too much discounting was going on at the counter/service customers.*
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? The only people that can bill out parts and ok price changes are parts manager and parts assistant. Service advisors cannot change the price in the system, has to be approved by parts manager/assistant.

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)) this is looked at every day to adjust parts that are brought from the outside
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? True cost is put into account 242 and the difference is put into account 687.
9. Do you have an internet presence for your parts department? Not a lot. Only presence is on our website. We are looking into amazon preferred dealer status, and selling SOPs there and on ebay. Advertising is very minimal in our parts department.
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 nay advertising costs. Only accessory books and displays in the service drive and showroom floor.
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, we don’t have one.
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? Yes, it is called 2019 conquest parts. So far, \$7500 has been spent for the year. You earn more by selling more. Some money is set up automatically to be spent, like catalogs/brochures from GM, and advertising promos.
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? We don’t have parts coupons

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? [Comptroller reviews this on a quarterly basis. Yes](#)
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? [Service is the main source of revenue. Our wholesale business is not a large part of our revenue, but counter retail/walk ins are.](#)
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. Our GM rep provided our salesman with an accessories catalog for each car model to show our customers before they go into the finance office. If they sell it at MSRP, they get commission on it.](#)
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 weekly, our wholesale business is not large. But we do review how our wholesalers are paying us and whether they are worth doing business with. We have cut wholesalers for slow pays and excessive returns. We do not deliver out of town.](#)
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? [LKQ and Newsome in our area have undercut us for years in the wholesale market. They both sell at or below cost. We have tried cost plus 10%.](#)
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?) [comptroller reviews this and we send letters out every year.](#)
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 can be controlled by where we buy, how much we can make, delivery expenses, 50% of parts gross is paid to service. Parts manager suggested coming up with a plan to charge service for guessing on parts and having to return them. Says parts shouldn’t have to suffer for that, and still have to pay service 50 % gross. Wants them held accountable. This is something I](#)

am going to look into a little further. Sounds like processes can be changed to fix this issue he brought up.

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? Office manager and comptroller determine all of this.
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? No. this needs to change so that the manager can see how he is performing. Says it used to happen but does not anymore
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? This is what our policy is that is posted on the counter, and on the invoice that the customer signs. It is a good policy, but sadly isn't followed. Short version.... All items must be paid in advance, no refunds on special orders or electrical items, invoice required on all returns and part and package must be in original condition, 35% restocking fee on all returned items, no refunds after 15 days, sop not picked up in 15 days will be returned or disposed of. Not responsible for SOP after 15 days.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? Counter retail requires 100% pre payment. Service ro requires at least 50% on big jobs. Wholesale is charged on a PO and we charge restocking fee if returned. I think we need to be more specific on rules and percentages.
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? He checks every 90 days for returns. I think this should be done every 15 days if that is our return policy. He is not using this 15 day time limit even though it is written on the invoice for the customer to sign.
27. Who are the parties that are involved in the SOP process start to finish? Parts manager and assistant.
28. Are special order forms completed in a legible manner so that the customer information can be read? Yes
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 the back corner of parts. Service notifies the

customer if it is a service ticket, parts notifies the customer if it was a counter retail purchase. Parts manager sends the part back and is responsible for the lack of 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? **There is a special place for special order parts and returns.**
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 administers and controls. all purchases for the department are run by owner or comptroller before ordering anything over \$200.**
32. Does anyone other than the parts manager have direct purchasing authority from outside vendors? Who oversees the Parts Manager? (Double signatures, Perusing the Parts Dept. purchase invoices) **the parts assistant. The general manger, comptroller and owner oversees parts manager.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Parts manager and review by owner. Yes**
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) **less than by %7800**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **it was lower**
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) **things that can affect this difference could be WIP, price increases, cores to be returned, outside purchases, credits due for parts returned, parts pulled but not billed out.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **We don't use LIFO**
38. Is there an employee responsibility to function chart as was discussed in class? Are there specific inventory transactions (Grading, Ordering, Receipting, Posting, Adjustments, Bin Count Inventory, Returns, Cores/Dirty Cores) assigned to each of the employees in the parts department? (Functions vs Employee Exercise) **we have one now. The assistant has certain responsibilities and limits to what he can**

do/order. The manager is responsible for all the above items, but the assistant aids with counts, cores, returns, ordering.

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? **Currently general motors center of learning program is their only training portal. As a dealership, we have done a poor job of training our parts people and have discussed with the owner that training needs to be implemented.**
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 aren't necessarily kept unless it is general motors training.**
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, but he has taken classes monthly online. The last time he went to a training class was 8-10 years ago.**
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? **One area that could be improved on is faster equipment and more memory in our dms. He wants to be able to see history in our dms past 12 months Set up is fine and locations of computers and employees are good.**
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? **He said not much adjustments are made at all. The manager makes the changes through REM and decides what to stock and not to stock. This is done daily**
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)? **46.29 %. Our monthly summary report shows no emergency purchases, but further into that report I found where it showed \$500 on an emergency purchase line. I looked into this and found out our parts manager did not know about tracking emergency purchases, but his assistant did know about it and tracked it in the system**
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? **Our reports are printed once a month and kept in a file behind the manager. He looks at the obvious but also looks at adjustments, appreciation, inventory movement.**

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 he reviews it each month. I have given him the dms scorecard to already to use each month. I had a tough time trying to figure out the average stock order and what it actually meant. With some research and help from peers, I finally figured it out.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **at least once a day, whether its bulk oil, tires, or if a part is showing in inventory but is not there.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **no it is not checked regularly. Inventory count is done every December, but a count will be done if a glaring issue is found.**
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 reviewed everyday.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes, the parts manager and assistant have it. I have not given it to others at the dealership.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes, manager and assistant both track them**
53. Who reviews the Lost Sales? When are they reviewed? **The manager reviews them and are tracked on the monthly summary report**
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)? **they are being tracked in the system but I found out that they are not being reviewed or used to be phased in.**
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? **One sale in three months**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **98% for the last year**
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)? **No, things like tools, towels, hand cleaner, shop supplies are not 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? [We use both, depending on who the shipper is.](#)
59. Who files damage claims on parts shipments received? [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? [Manager places orders, packing slip shows what was ordered, then compares that to what was delivered to make sure it matches. File a claim for shortage or overages.](#)
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? [We only do yearly counts](#)
62. Who applies and loads the monthly price updates? [Parts manager](#)
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 does it everyday/do it as they come](#)
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? [A debit to parts inventory for \\$347.57. the total years debit for appreciation\(parts price changes\) was \\$960.60](#)
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? [They are in a certain area in bins, but larger pieces are put in a different area for space reasons.](#)
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? [Comptroller and service 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)? [No, I have spoken to comptroller about providing him this info](#)

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? **1.74 was financial statement, and 1.60 was on monthly report. Slightly too many parts stocked but very close to guide.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **2.63 in june and 3.40 YTD. Slightly off to my calculations.**
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. **Yes**
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? **On the computer and in a manual. the owner handles the review, and the manual is located on a shelf next to parts manager.**
74. Is your Parts Department locked up each night? Who has keys? **Yes it is locked. The manager, assistant, service manager, GM , and owner have keys**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **No, all transactions are paid at the cashier window located next to the parts department**
76. Is there a policy in place for overages for the cash drawer/balancing? **Office does this**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **No**
78. What one thing can your organization do to help you do your job better? **A big problem this department has is SOP policies not being enforced and causing returns, and obsolescence. One thing the parts manager wants to fix is having the service lane advisors not make guesses on a customer's problem before the techs have diagnosed the actual problem. This has created parts orders that are not needed, and parts is stuck with it.**