

## **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.**

- How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair?  
A: **BI ANUALLY**
- Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.  
A: **Out of 5 other stores we were 4<sup>th</sup> highest**
- 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.  
A: **PART # BOULEVARD PITTSVILLE PRESTON**

<b>BR1414.B</b>	<b>\$69.95</b>	<b>\$69.95</b>	<b>\$65.87</b>
<b>BRR.227</b>	<b>\$144.95</b>	<b>\$133.62</b>	<b>\$133.62</b>
<b>FD.4615</b>	<b>\$99.95</b>	<b>\$99.95</b>	<b>\$107.82</b>
<b>FA.4615</b>	<b>\$34.95</b>	<b>\$34.95</b>	<b>\$34.42</b>
<b>SP.520</b>	<b>\$8.95</b>	<b>\$6.00</b>	<b>\$11.84</b>
- 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.

- A: Wholesale List 20%, retail counter matrix/MSRP, service department matrix, MSRP on filters, wipers, brakes, Employees cost + 10%
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?  
A: PM uses Daily override audit in CDK
  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))  
A: All parts are priced at factory cost. Any mark up on emergency purchases, or discounts are coded to account 6575
  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?  
A: Yes, all parts are entered at factory pricing p[]=\\
  8. How are discount purchases tracked in the system to show additional profit based on the cost of the part from a particular source other than factory price?  
A: discounts gained/ lost are can be tracked using parts department account 6575
  9. Do you have an internet presence for your parts department?  
A: a Facebook page
  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?  
A: no merchandising programs currently in place
  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?  
A: no
  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?  
A: \$210 for every new ford sold
  13. With the growing use of mobile smartphones by customers do you have a mobile ready website?  
A: no

14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?

A: updated the beginning of every month by the service director for the group

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?

A: Third quarter of 2019. Parts Director met with PM for Financial Statement review

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?

A: Occasionally call wholesale accounts to see if they’re in need of anything. Post specials/deals on FB, and share on local FB groups I’m a part of.

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?

A: Currently no incentivized sales program in place

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.

A:no

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?

A: We primarily use our runner, who makes two loops a day. We also offer hot-shot delivery, which usually consists of one of the counter people delivering the part.

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?)

A: PM reviews and applications and enters new customers into the DMS

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.

A: Expenses are below guide

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?

A: Comptroller approves/sets credit limits. AP clerk maintains the receivables

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?

A: PM receives the financial 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?

A: SOR policy is posted on the front/retail counter of the parts department.

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?

A: All special orders require full pre-payment. No pre-pay on Wholesale or service customers whose car STAYS in the shop.

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?

A: 30 days

27. Who are the parties that are involved in the SOP process start to finish?

A: Service Advisor gets approved estimate, contacts parts to place the order. Parts dept receives part, notifies SA via email. SA contacts customer to schedule.

28. Are special order forms completed in a legible manner so that the customer information can be read?

A: All special orders are mad through DMS, no hand written form is used.

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?

A: Special order shelf in alphabetical order. Parts personnel send emails to service advisors daily, along with notifying the BDC via SOR spread sheet. PM reviews aging SOR's for follow up and potential 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?

A: Special orders are kept on they're on set of shelves.

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?

A: PM oversees all PO's. Parts only issues PO's for parts/supply vendors. All large equipment/tool purchases handled by Parts Director and/or Service Director

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)

A: Parts staff have authority to order, PM oversees them. Parts Director and GM oversee PM.

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?

A: Internal parts pricing is set by Parts Director. All parts and service related supplies go through the Parts Department.

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)

A: Accounting value is higher than parts inventory

35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)

A: Invoices for other services/supplies mis posted to parts inventory. Along with sublet invoices from body shop posted to parts 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)

A: Our book value was higher than inventory value.

37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.

A: We do utilize 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)

A: Parts personnel are cross trained on all department tasks, with the exception of the stock order, which is performed daily by the PM.

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?

A: PM oversees training. Reviewed in the 4th quarter of 2019. All employees are currently Master Certified. it is not a part of the pay plan.

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?

A: Using STARS in FMCDellear.

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?

A: Yes, through NADA. 2016

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?

A: looks like we are currently adequate but will need to upgrade when we go to the new store

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?

A: Approx 25%. Most adjustments are made to filters due to a full bin/space issue.

44. Is the trend of those changes in question #42 a positive or negative trend?

A: Stays pretty consistent across the board.

45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?

A: 75-80%

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?

A: Printed and stored in filing cabinet, as well as saved to the computer monthly. Used to complete monthly Parts Metrics that are reported to upper management.

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?

A: not currently, looking to use it for this month

48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)

A: Bin checks are made daily and any adjustments are made the same day.

49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)

A: Not the top 50. But rolling bin checks are made. Fast moving maintenance parts are usually checked on Saturdays. Filters, wipers, etc.

50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate?

A: PM reviews, and is the only person authorized to make adjustments.

51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?

A: Yes

52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?

A; Lost sale are entered by all parts counterpeople. PM goes over A/M invoices to help insure lost sales have been entered.

53. Who reviews the Lost Sales? When are they reviewed?

A: PM reviews bi-weekly.

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)?

A: Yes. E-orders are checked for past sales history.

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?

A: Two demands in 6 months to meet phase in criteria for stock order.

56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?

A: 98%

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)?

A: Yes, all parts are posted to inventory and sold. No shop supplies are placed in the inventory.

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?

A: We don't really do any shipping. Receiving procedures are verbal, as they pertain to our daily parts deliveries.

59. Who files damage claims on parts shipments received?

A: PM makes any damaged/shortage claims on parts deliveries.

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?

A: All parts personell are trained in printing daily shippers, checking freight against them, and posting the order to inventory once it's verified. All discrepancies are brought to the attention of the PM for action.

61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?

A: Bin checks are made through out the week. An email reminder system is in place to each team member with a set of bin numbers.

62. Who applies and loads the monthly price updates?

A: It's done electronically on the first of the month. Done automatically through CDK.

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)?

A: Periodic inventory adjustment yearly.

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?

A: Adjustments are made yearly

65. Are all obsolete parts that are on the inventory physically in the store?

A: 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?

A: They are not separated. They are binned according to the "base" part number

67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?

A: 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?

A: PM & SM work together throughout the month to keep WIP clean.

69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?

A: Yes. PM also incorporates that information into a spreadsheet and communicates that to the parts team, parts director, and GM with a daily email.

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?

A: 65 days supply, can lose maybe 5-10%

71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?

A: true turn 9 times yearly

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.

A: 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?

A: P&P manual is stored on computers hard drive.

74. Is your Parts Department locked up each night? Who has keys?

A: Yes

75. Do your Counter-people have a cash drawer? Who balances the drawer?

A: No

76. Is there a policy in place for overages for the cash drawer/balancing?

A: SA's reconcile the cash drawer. Parts does not have its own cash drawer.

77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?

A: No

78. What one thing can your organization do to help you do your job better?

A: Honestly very happy with the way we run things