

## **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? **Annually**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **We are the only MB dealership within 120 miles. We shop our closest competitor occasionally to make sure we are in line.**
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 are always more expensive but we shop maintenance and quick movers in the area to be sure we are not far out of line.**
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.**
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. Service Advisors are not allowed to change prices. Service Manager must talk to me about a price adjustment.**

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)) **No. All our parts come from MB .**
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? **MB has no discount program. There are rebate programs**
9. Do you have an internet presence for your parts department? **NO!**
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? **None**
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, the Parts Manager handles outside sales.**
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? **None that he is aware of**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **The dealership does but not the Parts Dept.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Not really. We participate with the Service Dept. in their marketing.**
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? **I don't know that one has been done any time recently.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **I actively call area Body Shops and solicit business and we provide good service to them.**

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? **Honestly we do not do a very good job in accessories. We need to do better.**
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. **We don't do it weekly but every month, I review each wholesale customers purchases and eliminate delivery to the ones that we can't make money on.**
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 couple of the larger body shops in the area are connected to dealer groups that have MB franchises and they are required to purchase from them. The others I feel we do a good job of selling to and servicing. We do deliver multiple times a day if needed in the metro area which is about 10 miles.**
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?) **I collect the certificates and the controller verifies them and lets me know if any are out of date.**
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. **There are only a few expenses under my control. Wages, shipping expenses and delivery expenses. Our pay plans are all based off of gross profit.**
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? **The office checks credit applications and provides me with a monthly schedule of past due accounts that I have to collect. The credit limits are set in the DMS and we can't override.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Yes on a monthly basis**
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? **We**

- have a written checklist for SORs. I don't remember when it was reviewed but the GM, Service Manager and I came up with it.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **100% prepayment for Counter Retail and Wholesale (unless the wholesale customer has an account with us)**
  26. What time is set to retain these parts and then initiate a return? Is a return charge made on customer pay parts that are returned because the customer did not return for them within a time limit? **30 days. We currently do not have a return charge**
  27. Who are the parties that are involved in the SOP process start to finish? **Service Advisor, Parts Counterperson**
  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? **We have designated Special Order bins. The Service Advisor is notified when we get the part and it is their responsibility to get the customer in. Parts go back in 30 days if the customer does not come in unless the Parts Manager makes an exception.**
  30. See if special order parts are carried in a separate section of the parts inventory to maintain control. Or they inserted into the regular inventory? **They are in a separate section.**
  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? **Controller. All fixed asset purchases must be approved by GM. Controller monitors open POs and PO \$.**
  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) **For individual jobs, the counter-person can. Only the PM can make bulk purchases. GM oversees**
  33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **GM set internal prices at retail. 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)

35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **New accounting clerk was posting entire invoice including freight, etc. to inventory instead of just the parts cost.**
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)
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) **No, responsibilities are assigned but there is no current chart. PM is developing one.**
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? **Parts Mgr. controls. Can't remember the last time it was reviewed. It is not part of the yearly review and not part of the pay plans.**
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? **No records are kept but R&R makes the employee take periodic DMS training or their logon is disabled. Netstar (Mercedes) training is done monthly.**
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. Attended GM class two years ago before we hired him.**
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? **My observation was that an additional terminal at the tech parts counter would be useful as the two existing were always busy and at times there was a wait for a terminal.**
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? **PM estimated that he changed less than 5% and he does all of the changes.**

44. Is the trend of those changes in question #42 a positive or negative trend? **Positive**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **Our closest MB competitor is 120 miles away so all orders are from the factory.**
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? **In Parts Manager's office. Checks turns, stock order performance, obsolescence, inventory value.**
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? **Not currently but will be. The Parts Manager and I went over the DMS scorecard and he agreed to use it. No**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Typically adjust for errors weekly.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **We did after we talked.**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **He reviews all adjustments.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes to parts employees, but not to others in the dealership.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **We have implemented the procedure reviewed in class. All counter-people and the parts Manager can post lost sales.**
53. Who reviews the Lost Sales? When are they reviewed? **Now that we have a good process. The Parts Manager reviews daily.**
54. Are emergency ordered part numbers reviewed to see if they qualify to be phased in? Is the Test/Non Stock/Watch feature of the computer system utilized to test which parts to stock (Phase In)? **Yes and yes.**
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? **Three in six months. MB stock pro makes the stocking suggestions and he compares that to the sales history.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Variable lines are 98% Individual lines have no standard.**
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 and Yes**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Verbal. Parts Mgr.**
59. Who files damage claims on parts shipments received? **Parts Mgr.**
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? **Receiving clerk checks parts in and verifies shipping docs against what was received. Parts Mgr. checks against original factory order. Parts Manager follows up on any discrepancies.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Done quarterly**
62. Who applies and loads the monthly price updates? **The accounting office.**
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)? **Any parts cost adjustments are sent to the controller monthly and he makes any necessary adjustments.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **The book inventory was \$8,200 less than the physical inventory at 12/31/19**
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**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **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. Monthly**
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? **Yes. Yes**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **5.7 turns. Yes**
72. Is the inventory area large enough for the current level of business? Answers to this question can be obtained when the student does the FTFR (First Time Fill Rate) exercise. **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? **Human Resources has the manuals and one is provided to each employee upon hire. I verified.**
74. Is your Parts Department locked up each night? Who has keys? **Yes. The Parts manager and the GM.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes. Parts Manager**
76. Is there a policy in place for overages for the cash drawer/balancing? **No.**
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? **Two things. PCs need upgrading. Need another counter-person.**