

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.**

Mark Michalski
mmichalski@nada.org
443-801-7768

Brian Crossin
bcrossin@nada.org
703-395-1570

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.**

My answers and responses will be in red throughout document.

1. How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair? Yearly. **I have not seen our source pricing levels reviewed on a consistent basis. I do not know when the last time this was performed.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. Handled by fixed ops director, not sure how competitive we are in area. **I have personally compared with two other dealerships within 60 miles. We are very competitive with these other Dealerships.**
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. Do not know how competitive we are with others. **We are consistently competitive with others within our market.**
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. Our computer system

- will do this. Our dealership uses CDK, we have the capability to do more. Reviews with manager do not occur to my knowledge. Department needs policies and procedures implemented.
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? No and No. I believe this answer is correct. There are no DMS controls in place.
 6. Is there a process followed to prevent the costing of parts at other than the established factory (OE) cost within the dealership when parts are placed into the inventory? (done through the use of +/- inventory adjustment account(s)) Yes. I am not sure what this formal process would be. There is not one that I am aware of.
 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. 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? Not sure. I do not believe they are tracked in the system to show additional profit.
 9. Do you have an internet presence for your parts department? No. No internet presence for parts department. I believe we are missing potential opportunities.
 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. We are not currently using any merchandising programs.
 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. Our sales in parts department does not support hiring an outside salesperson.
 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? See Sam, fixed ops director. Sam does handle all of this and he is one of the owners of the dealership.
 13. With the growing use of mobile smartphones by customers do you have a mobile ready website? No. Dealership has a mobile ready website. However, no parts presence on website, only a half-ass service tab.

14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? See fixed ops director. **Online part coupons are not checked. If we have any coupons online they have been placed by manufacturer.**
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 do not review pay plans. **All pay plans are reviewed by Dealer and Fixed Ops Director / Minority Owner. Do not know when last review was conducted.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? Yes we seek additional revenue. **I would have to disagree on this point. I believe the parts department lives off of the service department. I have calculated our inside sales around the 85% mark.**
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? No. **No formal program is in place. If a customer asks, then the ball starts rolling. We are leaving opportunities on the table.**
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. No. We do not have a delivery service nor a big wholesale base. **No, don't know if/how reviewed.**
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? No. **No studies of this kind conducted.**
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?) Business office. **Controller verifies.**
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. No pay based programs. **Fixed ops director handles expense control.**
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? Business

office handles this. Fixed ops director makes credit determination and accounting office handles all receivables list.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? No. Not made available to parts department.
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? No written policies. No current policies or procedures. Not written or posted. Action plan proposed as part of homework.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? 50%-100%, depends on customer. There is no prepayment currently required that I know of. No policies or procedures in place.
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 and yes, a 15% restocking fee. Interested to see how often this is enforced.
27. Who are the parties that are involved in the SOP process start to finish? Parts consultants and service. Currently, I would say this is correct.
28. Are special order forms completed in a legible manner so that the customer information can be read? Yes. No special order forms. Use a large 3 ring binder.
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 are in their own location, parts consultant notifies customer. Parts department and service calls. Yes. A specific set of bins in parts room. No one specifically charged with notifying customer.
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? SOP have their own shelves. SOP's have their own bin locations.
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? Business office and fixed ops director. I would say the fixed ops director more so than the business office.

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) Fixed ops director. **Correct.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? Owners. **Fixed ops director and other owners. No.**
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) Not sure. **Exceeds.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) Not sure. **Accounting inventory not higher.**
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) Not sure. **We have had a recent DMS change and a lot of data is not coming over correctly. We currently have a lot of questions.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. Not sure. **LIFO is not used.**
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. **No employee responsibility function chart. No one has any specific responsibilities, just responsibilities that are assigned to the department in general.**
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? Fixed ops director. **No current training programs in place that I am aware of.**
40. Are records kept of the training for each person and when did someone last take online DMS refresher training? Parts Catalog training? OE/Manufacturer specific training? Yes. **Only records kept would be any required and maintained by the manufacturer.**
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 and none. **No.**

42. A computer system diagram with specific terminal equipment positions should be made and a flowchart of work routine should be made. Determine if the equipment meets daily needs and if the equipment is in the right locations. Is the volume of business at a level that requires more system hardware, or does it require less? This does not exist here. **No diagrams or flow charts, I would say more system hardware needed.**
43. How much of the replenishment/daily order is manually adjusted? Does it exceed 10%? Who makes the stock replenishment changes, and what are the reasons for the majority of those adjustments? When was it changed last and by whom? None, Parts manager, Reason is sales and RIM changes. **I would have to defer to parts manager on this question.**
44. Is the trend of those changes in question #42 a positive or negative trend? Not sure. **N/A.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? 95% vs. 5%. **The percentage of stock order seems a bit high to me. I see other dealership vans delivering parts frequently.**
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? Not sure. **Not printed daily, nor are they stored.**
47. Is the DMS Summary used to track inventory trends? When will you incorporate the DMS Scorecard that you learned about in class? Are there areas on the DMS scorecard that you couldn't find and if so who at the DMS is helping you to find those answers? No. Not sure. **DMS summary can be used to track inventory trends. Due to our recent transition to CDK we all have a lot of questions about data right now. We do have trainers readily available due to the recent transition.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) Once. **I am not sure when this occurs and I do not believe it is adjusted any more than listed.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) No. **Unfortunately, this needs to be performed more frequently.**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? No. **They are not reviewed each day.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **I have given the Lost Sale Quiz to the parts manager and all parts consultants.**

52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? No. True lost sales are not logged. Should be logged by parts manager or parts consultants.
53. Who reviews the Lost Sales? When are they reviewed? N/A. Lost sales not currently reviewed.
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. RIM. Parts manager said RIM takes care of 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? Should be 3 in 12 months, but RIM one time and it wants to manage. It should be 3 in 12. Not sure what he means by the last part.
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? 99.28%. This is what system shows.
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. I am not sure how accurate this is. We do stock items that aren't in our inventory.
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? No written policies. All verbal, there are no written policies in the parts department.
59. Who files damage claims on parts shipments received? Parts Manager. Correct.
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? Parts Manager. Yes. File claims. The parts manager should be in charge of all of these items.
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? We had one last year. We had a physical inventory performed last year. We also plan to have another in the upcoming year.
62. Who applies and loads the monthly price updates? Parts Manager. Parts Manager is in charge of this.

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)? Not routinely tracked. **This is not tracked by anyone in dealership. I am not sure when parts cost adjustments occur.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? Not sure. **Unfortunately, I do not know either.**
65. Are all obsolete parts that are on the inventory physically in the store? Yes. **They are all supposed to be.**
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. **Not separated.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? Parts manager. **I am not sure how often this actually occurs.**
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. **The Controller follows up on all WIP tickets and verifies that they are close in timely manner.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? No. **No.**
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? 4.4 Yes. **This is the same number on Excel template. We do have too many parts stocked based on this calculation.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? 1.5. Yes. **True turns of inventory are the same.**
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. **The inventory area is large enough for the current level of business.**
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? None. **There are no**

written policies and procedures in place for the Dealership. No manuals currently exist.

74. Is your Parts Department locked up each night? Who has keys? No. Parts department is located between customer lounge and service area. There is a walk through that is not locked up at night.
75. Do your Counter-people have a cash drawer? Who balances the drawer? Yes. Business office. There is a cash drawer. Accounting office collects drawer every afternoon at 5:00 p.m.
76. Is there a policy in place for overages for the cash drawer/balancing? See business office. Accounting office handles all balancing of drawers.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? No. Currently there are a couple of security cameras in the parts department. We are in the process of adding a more advanced security system.
78. What one thing can your organization do to help you do your job better? Training and more transparency. I believe that everyone could benefit from more training. Management could probably share a little more information in regards to finances that would be beneficial for parts department to know. I also see a need for written policies and procedures throughout the whole department.