

## **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](mailto:mmichalski@nada.org)  
**443-801-7768**

**Brian Crossin**  
[bcrossin@nada.org](mailto: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.**

1. How often is your dealerships source pricing levels reviewed for competitive maintenance and heavy repair **The Service and Parts manager review pricing about every 6months to stay competitive.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Very competitive. Our pricing even compares better to other manufacturers.**
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. **Flat pricing on maintenance items as well as Valve Adjs and Timing belt packages. Some parts have higher gross, some do not however works out in the end.**
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, the computer system has pricing setup on different levels for wholesale, as well as retail**
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 and No. The counter**

people can change the pricing if need be, but not the actual structure pre-setup.

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, the Parts Manager handles the pricing adjustment.**
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, OE COST is what they are in the system at.**
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? **Our discount or coupons are tracked through a certain account. At the end of the month, the controller makes adjustments based on the profits that would have been made**
9. Do you have an internet presence for your parts department? **Yes. Small, but a presence.**
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? **No, we currently do not have a merchandise program.**
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? **Negative, we do not have an outside sales person. We do have a wholesale parts counter person. They specifically deal with the wholesale accounts, and their pay plan are set up to go along with their role.**
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? **No, we do not have factory merchandising dollars**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes, we have a mobile ready website.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Yes, we check our online coupons. The Fixed Ops Director and Parts Director, check them monthly, and are updated at least monthly, if not quarterly**

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? **The Parts Manager has not done a comparison of pay plans to department expenses**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **We do seek other avenues. We pick up extra body shops on the wholesale side, we well parts online to customers, and try to get accessory sales from the sales dept.**
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 have our finance admin and soon finance managers selling accessories to customers through the sales department. We use a computer program called Insignia to send the accessories sales through to parts.**
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. **Wholesale is not reviewed 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? **Yes. Currently the big player has pissed off a few people however their pricing remains ridiculously low. Challenging them is hard. We currently can only deliver once per day.**
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?) **Parts Manager continuously checks.**
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. **The Parts Manager has control of a good portion of the expenses. Certain items include personnel expense, policy expense, as well as vendor expense.**
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 Parts Manager goes through the receivables list once a week to keep it current and then if there is an abnormality than my wholesale counterperson calls them and receives payment.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Yes. Reviewed with Part and Service Manager as well as Director.**
  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? **Parts are paid for up front. This is not written however well known. Director reviewed and approved.**
  25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Yes, we require 100% prepayment and we differentiate between wholesale and service.**
  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? **There is currently no time frame since 100% paid however if the parts are returned there is a 20% restocking fee.**
  27. Who are the parties that are involved in the SOP process start to finish? **Counter sales people as well as Parts Manager.**
  28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes, most SOPs are completed in the computer.**
  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 certain bins located in parts by last name. In the morning, the customer gets called for over the counter parts and the service parts show in, on the service side, also our service parts are billed right away and put on RO shelf.**
  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? **The SOP parts have their own section. If there is an inventory coming up or the customer does not come for parts within 120days, the parts do get put into their correct bin.**

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? **Anyone in parts can open a PO, but then the Parts Manager approves the dollar amount and correct account. The accounting department then finalizes the PO before payment.**
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 department has access to outside vendors through already set up accounts. If there needs to be a purchase the Parts Manager can make that and then it is followed up by the controller.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **The Fixed Ops Director and the VP of Fixed Ops set up the policies. No, not all internal purchases are set up 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) . **The dollar amount is more on the financial statement due to an error in accounting that the Parts Manager caught.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **Accounting accidentally posted an invoice for way higher than billed for.**
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) **Depends on different variables. Some parts departments keep a buffer incase certain items need to be written off or damaged.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **\*\*\*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) **Each employee can order, do bin counts, receiving and returns. The posting, manual receiving, and adjustments are made by either the Asst Parts Manager or Parts Manager.**

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? **The training for employees is based on skill set in the Honda IN. We do have a corporate trainer who keeps up on everyone's abilities. It is part of yearly review but not 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? **No, currently there is not.**
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? **Currently waiting for the class to be available from Honda**
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? **We just had all our equipment upgraded this past weekend**
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? **It is less than 10%. The Asst or Parts Manager makes the adjustment. Also both go through fast moving parts and make sure the parameters for phase in/out are correct.**
44. Is the trend of those changes in question #42 a positive or negative trend? **The trend has been positive because the counterpersons are operating quicker and more efficient.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **98% to 2%**
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? **Parts Manager goes through the reports every morning. He looks through the sales from day before to catch any errors or anything that stands out for attention. He then keeps them for 30 days in a file.**
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 have a daily review in excel that we keep an eye on the inventory for certain increases or decreases that seem out of ordinary.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Every time a bin check is done and it shows a discrepancy.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **We do perpetual inventories, so parts are always being checked.**
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, he looks over them the next day on his report**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes, just to the counter sales people.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Not at the moment and anyone in parts can log a lost sale.**
53. Who reviews the Lost Sales? When are they reviewed? **The Parts Manager is focusing on that as a part of his training the staff. Action Plan created.**
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)? **No, most emergency purchases parts are something we needed, right then.**
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? **We have a tiered ordering system, but usually around 3 demands in 3 months.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **97.7**
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, they are sold from inventory. If parts are not in inventory then parts doesn't sell them.**

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Verbal, and the Parts Manager would review them.**
59. Who files damage claims on parts shipments received? **The Parts Manager, Asst Parts Manager, and Wholesale Counterperson deal with damage claims.**
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? We have a guy that comes in the morning to receive it. **We use a program called Scan It and a scan to scan all parts in. The parts are cross checked to packing slips. Discrepancies are handled after the order is received and claimed to AHM**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes**
62. Who applies and loads the monthly price updates? **The 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)? **The Parts Manager handles these immediately and they get adjusted right away with the controller.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **There were a few adjustments made to the accessories and tires.**
65. Are all obsolete parts that are on the inventory physically in the store? **Yes, all obsolete parts are physically in the store.**
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, they are in there numerical bin location.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **Currently nobody verifies.**
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? **Currently they do not.**

69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes, daily with the morning reports.**
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? **43 Days**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **1.45 No, 1.9**
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, large enough for current 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? **It is located on our portal for every associate to access. Our HR department verified and put it there.**
74. Is your Parts Department locked up each night? Who has keys? **Yes. Department heads have access.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Negative.**
76. Is there a policy in place for overages for the cash drawer/balancing? **No cash drawer.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Currently there are no cameras.**
78. What one thing can your organization do to help you do your job better? **Have a better filing system for documents.**