

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? **Quarterly and whenever a competitive pricing opportunity arises.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **While shopping competitors in our areas we found we were consistently 5% lower in price on fast moving parts and major repair, and 2-4% higher on other miscellaneous items.**
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.
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, review examples JS/MA**
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? **Counter people are unable to change pricing below Cost + 10%. The parts manager reviews a report daily**

in order to monitor gross profit per invoice. Service advisors do not have the ability to change prices.

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)) **Only the parts manager has the ability in our DMS to change costs on parts. It is possible to enter a cost other than OE cost when receipting a part, all postings and receipts are reviewed daily by the parts manager prior to final posting to ensure no errors are made.**
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, all costs stay true to OE regardless of where/how the part is sold.**
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?
9. Do you have an internet presence for your parts department? **Yes**
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 have an extensive non factory part sales area in our retail boutique. Our demographic does not support high volume front counter sales and do it yourself repair, so we integrate other non-automotive items into the store that appeal to our clientele.**
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**
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**
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? **Our online coupons are reviewed and updated monthly.**
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 comparison is made monthly. We review expenses vs gross profit every month, including a comparison to the previous year.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **We seek to satisfy the need of the service and sales department primarily, however we’ve established 4-5 additional streams of revenue for ourselves outside of that. (online sales, wholesale, non-factory accessories, non-automotive products)**
 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 there is not a formal program set up.**
 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. **This is a practice I am in the habit of, however it does not take place weekly. Our wholesale department is modest, and we maintain profitable relationships with our existing accounts.**
 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 we make several reviews to our areas of influence and our long term strategy is to own the market in our backyard without extending beyond our profit margin expectation. We are able to deliver in our local area 4-5 times daily. We believe with delivery speed and consistent level of high service we can outperform our highest competitors. If an account determines those benefits do not outweigh a slightly higher discount they may seek business with a competitor but we do not raise their discount.**
 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?) **All new wholesale account tax IDs and wholesale certificates are verified with the state by the wholesale counterperson before conducting any business.**
 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’s pay plan is based off net profit. Non controllable expenses do not influence the pay line that the manager is paid from. As an example, the**

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 business office handles approval for new accounts, as well as maintaining receivable accounts.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **The financial statement is reviewed monthly between the parts manager and the comptroller.**
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? **Special order parts are held for 60 days before being returned to the manufacturer. Pre-payment is not required on special order parts.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **We do not require prepayment on special order parts.**
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?
27. Who are the parties that are involved in the SOP process start to finish? **The counter person who orders the part, the shipper/receiver who receives the part into inventory, and the counterperson who gives the part to the customer/sells it.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes, if the handwritten copy is not legible a computer generated copy will be made.**
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? **Special order parts for the service department are located in a designated section of the warehouse. Our service BDC contacts the customer the morning the part is received. The service BDC reviews a special order report weekly to make follow up calls and appointments on special orders. If no response is received after 60 days the parts are returned to the manufacturer.**

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? **Special order parts are held in a separate section of the inventory.**
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? **We use a hard copy PO book procedure. The business office maintains a log of who is in possession of a purchase order book and what series of PO numbers each book contains. There is not a limit on purchase level, however POs issued by the parts department are reviewed daily by the parts manager.**
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 manager as well as parts counter men have purchase order books. Count people are able to purchase from vendors that the store has an existing relationship with. Any new vendor purchases can only be initiated by the parts manager.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **The internal parts pricing policies have been established by the parts manager with approval by the general manager. Any changes to this policy are subject to approval by the general manager.**
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 value of the parts inventory on the parts side exceeds the financial statement's figure.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
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) **The parts department generally shows inventory value higher than the accounting figure due to volume discounts and rebates not absorbed into the financial statement until the end of the fiscal year.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **Not familiar with this procedure.**
38. Is there an employee responsibility to function chart as was discussed in class? Are there specific inventory transactions (Grading, Ordering, Receiving, Posting,

Adjustments, Bin Count Inventory, Returns, Cores/Dirty Cores) assigned to each of the employees in the parts department? (Functions vs Employee Exercise)

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? **There are not set training programs for parts employees.**
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.**
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.**
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 currently have more hardware than personnel, which allows counter workers to be flexible and adjust to the daily business.**
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? **The daily stock order is reviewed by the parts manager. Adjustments are made to prevent unit pack issues and identify new parts that need to be properly sourced for re-order purposes.**
44. Is the trend of those changes in question #42 a positive or negative trend?
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?
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?
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?
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Adjustments are made as soon as a discrepancy**

is discovered. High volume and high value parts are also reviewed for accuracy on a monthly basis.

49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)
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 the parts manager reviews a report of transactions daily to identify any undue influence to on hand integrity.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?
53. Who reviews the Lost Sales? When are they 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)?
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?
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?
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 all parts sold are placed in the inventory then sold from the inventory. Items like shop supplies are billed directly to the corresponding department they were purchased for, however, they may be stored in the parts department. No billing occurs at the time of use.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **All verbal**
59. Who files damage claims on parts shipments received? **The parts manager or counterperson who ordered the part.**
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? **The shipper/receiver scans each part with a scan gun in order to post them**

- into inventory. Once complete the parts manager runs a report and reviews it with the shipper and receiver to review and research any discrepancies.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes, with supplemental perpetual verification done monthly.**
 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)? **Cost updates are tracked monthly by the parts manager with the comptroller. An inventory adjustment is made once per year to account for these adjustments.**
 64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?
 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? **If the department is still in possession of an obsolete part it is held in a separate source.**
 67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **The 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? **The service manager and service director follow up on repair order aging.**
 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?
 71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?

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? **All employees have a personal copy and additional copies are available at any time. When changes are made all store management meets to review.**
74. Is your Parts Department locked up each night? Who has keys? **Yes, all store managers have keys.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **No**
76. Is there a policy in place for overages for the cash drawer/balancing? **N/A we do not have our own cash drawers.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes, store management have access.**
78. What one thing can your organization do to help you do your job better?