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. Please email all of the assignments to me at cbavis@nada.org and include your name and class #. Remember that this is due the Monday before your service class starts. This allows the instructor to grade it prior to your arrival. Good Luck. Reach out if needed.

4. There is a Post Parts Class Threaded Discussion that will be activated exactly two (2) weeks after your classroom session ends. It will be open for two weeks only. You will be required to post the one topic that you came away with from the parts class that you have already activated or plan to act upon with the parts department. Once your peers start posting theirs you will be required to respond to at least three with points of clarification and reinforcement. This has a point value of **300** points.
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? At least once a year.

2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. Our pricing matrix keeps us very competitive compared to our competition.

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. We have different pricing codes set up for retail and wholesale. Retail pricing is the same for customer pay work in the shop.

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? Service advisors can't change parts prices. We can view an exception report to see pricing changes made by our counter people.

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

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? The profit is adjusted through accounting when the invoice is posted. We take it in as an inventory adjustment.

9. Do you have an internet presence for your parts department? We do. We have an E-store on our website.

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? Our retail counter area is small, but we dress up new vehicles with accessories which makes an awesome display. These are billed out at retail so we do very well.

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? Not at this time.

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? 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? We look at gross per employee every month, and we are well within guide lines.

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. We are continuously trying to grow our wholesale business and work very closely with the sales department to increase accessory retail sales.

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? Absolutely

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 do.

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? We do try to get our foot in the door with potential customers; however it is extremely difficult to get someone to change vendors unless they are very unhappy with their service. We can make deliveries 2-3 times a day within about a 20 mile radius.

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?) We verify the account and the main office maintains tax forms. I am sure that there are some older than two years.

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. Our pay plans are based off of gross.

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? We have an accounting department.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? Yes, and 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? We do not have a written policy. Our department is small and closely monitored by the manager.

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? We do have retail special order parts pre-paid for RO's and retail sales.

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? We return unclaimed parts after a months' time and we do not charge re-stock fees.

27. Who are the parties that are involved in the SOP process start to finish? Counter sales people and the manager are all responsible.

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

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? Our system is automated and notifies the customer. We also issue a copy of RO special orders the service advisors so that they can follow up. The parts are staged near the back shop counter and the manager controls parts returns.

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? Separate

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? The parts manager along with our accounting department monitor purchase orders.

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)Our parts sales people can issue a purchase order. The GM is the parts managers supervisor.

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? The GM and parts manager work together on pricing. 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)The value on the parts end is higher than accounting. We reconcile monthly.

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 swing in either direction needs to be looked for, and our reconciliation process helps us look for discrepancies.

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)Yes, same answer as the previous question.

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

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)Being that our department is so small, all parts personnel are well versed in daily processes. Only the parts manager can make adjusments.

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? Training is not part of our pay plans, but is part of the review. Manufacturers have on line training courses that need to be completed every year.

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? There is manufacturer training every year. DMS training is rare.

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. There is normally a management class conducted by the manufacturer once a year.

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? At this time we are well equipped to perform our daily duties.

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? Less than 5%. The manager makes any adjustments and when these are made it's usually because of campaign parts phasing in or storage issues.

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)? 98%

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? The parts manager keeps them filed and reviewed monthly as well as proving the information needed for reconciliation.

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 your Parts Inventory is adjusted for errors in part value or part quantity? (4 Moments in Time) If a discrepancy is found at any time the manager researches to find the issue and makes the count correction. Our oil inventory is adjusted every month. The cost of any non-factory part that we stock is adjusted if necessary every time the order is posted. If a discrepancy is found while conducting bin checks the manager researches and makes an adjustment.

49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) We try to verify the count in our busiest bins at least once a month.

50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? This is not done daily.

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? All counter sales people can and should log lost sales. We do our best to log them.

53. Who reviews the Lost Sales? When are they reviewed? The manager tracks them monthly.

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)? Our DMS tracks them.

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 part phases in if it has three hits in three different months in a twelve month period.

56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? 99

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)? If we purchase an

aftermarket part it is not added to inventory, it is force sold. Anything that is stocked is in our inventory management system.

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? We have a job description written up for this position.

59. Who files damage claims on parts shipments received? Manager

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? Our orders are scanned in, and any parts employee is capable of doing so. If there are any discrepancies the manager will file a claim with the manufacturer.

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? Automatically runs

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)? Emergency purchase price adjustments are made when the invoice is posted, and other than that there is an adjustment once a year after the physical inventory.

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? They are in a separate source and scrapped periodically once they are over twelve months no sale.

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

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.

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? Each employee is given a copy.

74. Is your Parts Department locked up each night? Who has keys? Yes. The Parts manager, Service manager and GM have a key.

75. Do your Counter-people have a cash drawer? Who balances the drawer? Yes. The parts manager verifies the balance.

76. Is there a policy in place for overages for the cash drawer/balancing? The accounting department logs them.

77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? No

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