

## 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 [mmichalski@nada.org](mailto:mmichalski@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?  
**As needed per heavy repairs.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.  
**We are competitive.**
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 don't compete in the wholesale marketplace.**
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?  
**No, we have menu based pricing. Wheel prices are changer a lot. Service advisors have to have management authorization.**
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 + + - repeat thru PM on DMS**
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?

- Thru our profit account 6550.
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?  
Monthly specials thru our app and internet. Relative cost is less than 1% of sales.
  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 we are not in the wholesale business.
  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 factory merchandising, we have co-op dollars. We exceed our co-op advertising in the parts and service departments.
  13. With the growing use of mobile smartphones by customers do you have a mobile ready website?  
Have a mobile app with a high usage rate.
  14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?  
Yes, weekly and 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?  
Monthly review as a percentage of sales and expense. Level is fine.
  16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?  
Mostly internal, body shop and service. Wholesale business too competitive, margins are too low.
  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? Yes, we are working on growing accessory sales. We load up vehicles on the showroom floor and incentivize the sales department on sales. If the sale is generated from the counter, the incentive goes to the counter man.
  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. Not in the wholesale business, policy is preventive. Twenty five percent markup and a no return policy.

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? **Have major competition in this market, they are willing to operate at 10% markup and deliver. We don't see a upside to this, feel it is better to concentrate internally and maximize that opportunity.**
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 collect all certificates and pass to the accounting office to make sure they are compliant. Developing a process to review yearly.**
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. **Parts personnel are paid after expense, they are very aware expenses. Also Parts and Service director reviews expenses every month.**
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? **Comptroller reviews bank and vendor references, if deemed credit worthy a credit account is opened. Balance due in thirty days, all late accounts are shut and only re-opened pending Dealer review. The comptroller has the cashier collect all parts and service account receivables.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Yes, 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? **Retail SOP are prepaid with a no return policy. This is posted at the retail counter. Sop parts not installed after 30 days can be sold. SOP parts are returned after 60 days, a 18 % restocking fee is charged to the department who ordered the parts.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Yes on retail counter it is policy, have seen adherence to policy is not 100%. On service RO we look at the loyalty of the customer, someone we have a history with versus someone who has never done business with us before. When it is a SOP with a cost over 100\$ management has to be involved. Wholesale business is relatively small, would look at the customer. Do they have a account with us? If no, then it is prepaid.**

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? **Sixty days, then a 18% restocking fee is applied.**
27. Who are the parties that are involved in the SOP process start to finish?  
**Everyone in the parts department, except the delivery driver. Parts and Service director, General Manager and Dealer Principal now review SOP in our weekly Thursday meeting. This a new process to bring light to all aged SOP and to motivate the service advisors to install them in a timely fashion.**
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 a SOP bin in the parts department, The back counter guys let the technicians and the service advisors know they are in stock. The Parts manager and the Asst Parts Manager handle all 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? **Yes they are in a separate location, sorted by letters ie... A-D.**
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? **Parts Manager with no fixed dollar amount. The comptroller manages the levels and open PO's.**
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) **Dealer, General Manager and Parts, Comptroller, and Service Director. Yes double signature authorization.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?  
**Dealer Principal.**
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)  
**There was a 95\$ difference on the last physical inventory, no adjustments were made. The physical inventory is done annually.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)**N?A**

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) **Inventory is within tolerance.**
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) **Parts manager and assistant Parts Manager handle these responsibilities. Inspect what you expect. Also there is factory certification requirements.**
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? **Factory training requirements to be completed. If not Ford holds back money on the sales side and makes us ineligible for the President's award.**
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, not sure on DMS and OE/Manufacturer specific training. Something to add to the to do list.**
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? **Parts office, studied for BSL and stock levels. Have a Motorcraft depot two blocks away, same as purchasing on a stock order. Same price and discounts. Fill time averages 20 minutes. This allows us to shorten our turn time, stock less and be more efficient. Frozen capital is in a very envious position.**
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 averages about 10%. **The Parts Manager reviews these orders daily, things such as seasonal demand enter into the equation. As stated earlier; with a depot two blocks away, we are very conservative about expanding the breath of our inventory. Our Parts Manager says he is protecting "Don Jenkins money." Our**

dealer seems to support this position. Talked with both about “proficiency”, they are comfortable with the current scenario.

44. Is the trend of those changes in question #42 a positive or negative trend?  
Positive, feel as if our parts manager knows what’s going on.
45. What is the percentage of stock order from the factory versus outside pur(emergency purchases)? According to CDK our first time fill rate is  
The DMS report shows a 97.88% fill rate. So 2.14% 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? They are located in the parts office. Parts manager and Asst parts manager review some daily, some weekly and also monthly. Used to maintain best stocking level, inventory counts and obsolescence.
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, management adjusts for reasons such as the season. Going into winter, not going to stock a lot of air conditioning parts. Reviewed DMS scorecard with Parts manger, he offered some insight on the report. We have a large body shop, this leads to a large number of dollars in the non-stock parts. Asked him if this is a problem, he said when the insurance pays the parts are charged. These are generally large RO’s. The dirty core was a problem, we don’t have a dirty core report thru CDK. This is a failed to turn in the dirty core concern, just this week we had a 800\$ charge back to service. The technician failed to turn in the dirty core. Very concerning.
48. How often your Parts Inventory is adjusted for errors in part value or part quantity? (4 Moments in Time) Daily as part of the stock order. The Parts manager reviews the order, then does a bin count to insure accurate stock level. Countermen have a deviation sheet they use. If the part is shown on the DMS and not in the bin, they are required to list it on the sheet. This is reconciled by management daily.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) Yes, every stock recommended order is bin counted before the order is placed,
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, plus and minus report gone over daily.
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? Yes, to the parts management and counterpeople.

52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Weakly, Parts manager is on the fence concerning lost sales, we have a PDC two blocks away. The parts not available there can be here on a stock order by the next day.**
53. Who reviews the Lost Sales? When are they reviewed? **The parts manager does this weekly.**
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, carefully reviewed. Management looks very closely at the recommendations. Factors in such situations as body shop critical orders.**
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? **Two sales in six months.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **100%**
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. No.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **They are verbal and inspected by the Parts manger.**
59. Who files damage claims on parts shipments received? **The Asst Parts 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? **The Parts Manager receives the parts order which arrives on a truck daily. The packing slip is reconciled against the physical order. Then the results are reconciled against the factory order slip. Any discrepancies are filed with Ford.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes, every year.**
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)? **Yes.**

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **We made no adjustments, we were off 95\$ from the Dms inventory general ledger.**
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? **Yes, we are currently creating a separate area where all OBSO parts will be located. They will be coded in the system so that when they are searched they will come up with a OBSO alert. The counter men have flexibility in regards to price.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **Once a week we have a service meeting. Parts and Service Director, Parts Manager, Dealer Principal, and General Manager are present. We go over every open RO and all uninstalled SOP.**
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 see the process described in number 67.**
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? **Twenty five days supply, in the template calculated sixteen turns a year or twenty two and a half days supply. Inventory is narrower in breath versus wider. Reason is the PDC is two blocks away and one day fill rate from a larger Ford depot.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **True turn calculation from DMS is 10.04 turns per year. Working on getting YTD stock purchase from our factory representative.**
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? **Every employee is**

given a policy manual at hire. All new hires also go thru a new employee immersion class. Also our HR manager is available for any policy questions.

74. Is your Parts Department locked up each night? Who has keys? **Yes, our Parts Manager, and all his supervisory managers have access.**
75. Do your Counter-people have a cash drawer? **Who balances the drawer? No, we use a cahier. She balances daily and reports to the comptroller.**
76. Is there a policy in place for overages for the cash drawer/balancing?
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes we have cameras everywhere. They are reviewable by any user who has access to the system. This is pretty much all managers. They are backed up for 30 days.**
78. What one thing can your dealer as an organization do to help you do your job better? **Talking with the Parts Manager, the one issue that was most concerning was the level of emphasis on SOP from the service advisors. Our new process of reporting on all uninstalled SOP in our Thursday meeting with senior management. Another plus for the parts department is a new policy with our body shop. When a part is ordered but not installed, the body shop has to pay a 18% restocking fee. We had a incident where the body man buffed out a headlight rather than install the one ordered on the RO. We consider this to be conversion. Where parts dollars are converted into labor dollars. In the event of a conversion, the body shop has to pay a 50% restocking charge.**