

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 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?
Our Service Manager price checks our competitors monthly.
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
We are 5-10% cheaper compared to premium maintenance parts from our competitors.
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.

Wholesale 20% off of list. Retail Matrix off of cost. Service Matrix off of cost. Employee cost plus 10%.

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?
Our counter people have the ability to adjust prices when customers have coupons. Our Service advisors have the ability to coupon repair orders as needed.

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))
CDK generates the cost and list prices for all items even through the adjustment screen.
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? **All parts in inventory are at OE cost levels we don't change them for any reason.**
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?

We don't sell items with these sorts of discounts

9. Do you have an internet presence for your parts department?
We have used an Online store before but we have found that there isn't enough profit to justify the time it takes to process each order.
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**
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 outside sales person**
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? **None that I am aware of.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Our site is mobile ready but it mainly has parts requests and an accessory catalogue.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Our coupons expire at the end of every month and are updated at the beginning of every month with new specials.**
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? **Our compensation is reviewed every month we are holding at 31% of Gross Profit for the 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 are always looking for new revenue streams we are constantly looking for new wholesale opportunities and expanding our retail customer base with new advertising and coupon pricing.
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 already preload all of our new car units and we also have a web based accessory catalogue on our web site that our sales staff uses to show customers what is available when they purchase their new car.**
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.
Our wholesale customer list is reviewed monthly and our cost for delivery is shared between our three other sister stores and discounts are more than 30% off of list.
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? **In our area we are on an island alone as the only KIA dealer in 50 miles. With our other stores we have 4 drivers we can deliver 10 times a day if we need to. Our radius is about 30 miles.**
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?) **The parts manager reviews all applications and our tax ids are current.**
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.
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 Controller and General Manager approve all credit applications. The parts manager checks the receivables list daily.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **We have monthly meetings with the Vice President about each month's statement.**
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?
- Each special order must be prepaid and only held for 30 days if not prepaid. The parts manager and General Manager reviewed the process monthly.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Every customer order must be prepaid. Retail/Wholesale customer are sorted by name and Service customers are sorted by RO number.**
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? **All parts are only held for 30 days and we do not charge customers a restocking fee.**
27. Who are the parties that are involved in the SOP process start to finish? **All counter people are involved in the check in and stocking process but Fernando Summers is in charge of all returns.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **CDK has the SOR system and we use them to generate SOR sheets for each part.**
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? **Each advisor calls their own customers and after 30 days the part is returned no exceptions.**
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? **We have bins right behind our back counter in plain sight and the bins are sorted by customer last name.**
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 staff generates purchase orders for all reasons there is no dollar limit.**

32. Does anyone other than the parts manager has direct purchasing authority from outside vendors? Who oversees the Parts Manager? (Double signatures, Perusing the Parts Dept. purchase invoices) **The parts manager has purchasing authority and all parts invoices are signed by the General Manager after purchase.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?
- The internal price is retail price. All parts purchases go 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) **Physical on hand value is \$12,631 over the financial statement. Mostly due to appreciation.**
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 physical overage is mostly due to appreciation.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **WE DON'T USE 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)
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 run through KIA University and is reviewed monthly. Training is not included in the employees pay plans.**
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? **All records are kept by KIA University and all training is current.**
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? **Our parts manager has not taken any training other than the KIA factory requirements.**

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? **All hardware in the parts department is up to date and meets their requirements.**
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? **Our dealer uses the Parts Eye system. We have adjusted mainly because of space in or parts department.**
44. Is the trend of those changes in question #42 a positive or negative trend?
Negative
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **92% factory 8% outside purchase**
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 stored in the parts managers' office and are utilized to track inventory and parts sales daily.**
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**
48. How often your Parts Inventory is adjusted for errors in part value or part quantity? (4 Moments in Time) **Weekly cycle counts are done and adjusted after the counts are made and audited.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Weekly counts on Tires, Chemicals, and Accessories are made and adjusted accordingly.**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **The parts manager reviews this daily.**

51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Each one of the counter people and parts manager have taken the test.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes. All of the parts staff can log lost sales.**
53. Who reviews the Lost Sales? When are they reviewed? **The parts manager reviews them on a weekly basis**
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)? **We use the Parts Eye System that tracks this for us.**
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? **Kia uses a class system for each part A Class:1 in 30 days B Class:2 in 90 days C and D class:4 in 6 months**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Utilization is 89.7%**
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)? **All parts are posted and then sold. We have shop supplies but they are charged to the shop before being placed on the shelf.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?
- The parts manager oversees the process and the is not a written process.**
59. Who files damage claims on parts shipments received?
Whichever employee checks in the order that day makes the claim immediately
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?
Any parts employee can receive the order and it is check by hand line by line. A order report is printed and placed in the receiving area for each order to cross reference once the order comes in. All descrepancies are handled on a case by case basis.

61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **The parts inventory is counted every year in May and perpetual inventory is verified.**
62. Who applies and loads the monthly price updates? **CDK manually updates the price tapes.**
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)? **These are all reviewed by the parts manager monthly.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **There was \$6,000 in adjustments UP after 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? **We have not made any of these changes but we will be making some changes like these soon.**
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 runs a work in process report daily.**
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 reports to the General Manager daily on all open ROs held over more than one day.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **No, but he reviews this data on his own in other reports daily.**
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? **46 days supply**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **9 turns per month.**
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 WE DO HAVE A LARGE SPACE**

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? **WE have the manuals online and all the employees have access to it and they review it with General Manager**
74. Is your Parts Department locked up each night? Who has keys? **All doors are locked each night all of the parts staff has a key and the service manager and General Manager have a key.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **None**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **No cameras.**
78. What one thing can your dealer as an organization do to help you do your job better? **Every parts manager will say they need more space to store parts and more staff. This company has provided enough for me to do my job well and I will always ask for more.**