

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. All of these files will be submitted to your class Dropbox.
4. There is a Post Parts Class Threaded Discussion that will be activated **September 29th** it will be open for four weeks only and will close on **Sunday October 29th**. 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 dealership reviews our pricing levels only if there is a problem,
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **we have found one non-wholesaling dealer that was undercutting us, so we had to adjust prices to one customer. GM's MARS program puts wholesaling dealers at an unfair advantage.**
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 have not done any market surveys.**
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. **Our system does follow multiple guide for pricing. We have recently increased our internal guidelines to be equal to retail guidelines.**
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? **We do have policies to control discounts. However, the way GM sets the pricing catalog it is difficult to adjust pricing.**
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, we have a purchase allowances for cost adjustments. We apply the adjustment towards our cost of sale.**
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 parts are costed at the same factory price setting. As mentioned above, we apply the adjustment to our cost of sales account.**

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 purchases are tracked via our purchase allowances account.**
9. Do you have an internet presence for your parts department? **Yes, we use multiple website to post our obsolete part to.**
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 do carry GM merchandise. Due to lack of demand we do not carry an abundance in stock.**
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 do not have an 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? **Yes, we do have merchandise dollars available. These dollars are accrued off our oil purchases. I did not get a total on how much was spent. We use the dollars for promotional merchandise to give to employees or customers.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes, stutzmanchevy.com**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Our parts department teams up with our service department on coupons multiple time a year. Our parts department will post coupons separate from the service department twice a year.**
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? **Due to our tenure of employment our pay plans are not reviewed as often as they should. Recently, we have reviewed their individual plans and they seem on par to the competition.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **We “live off” our service and collision center departments. In our market we have a couple large wholesale organizations that have space for the inventory. Because of our size we have**

decided to serve our local wholesales and continue to drive our focus on service and collision 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? **Yes, we have an accessory wall on display for our sales customers to see.**
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. **No, but this question brings up a good point that we should do a benefit/cost analysis.**
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, as mentioned above, we have decided to participate locally in the wholesale business. We have done our research well enough to understand that it would not be a profitable avenue.**
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?) **My parts manager makes sure everything is up to date.**
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. **Currently, my parts manager does not see any semi-fixed expenses. We are considering making this a process.**
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? **My parts manager determines credit approval. My accounts receivable clerk works with all managers to make sure no accounts become delinquent.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **No**
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 have different policies depending whether the part is order via service or front counter. We do not have a hand written process.**

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **We require 100% payment on the front counter. Currently, there is no process for service SORs.**
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 SORs if not installed in 60 days unless instructed otherwise by the advisor. If customer pre paid we will reimburse the customer minus the restocking fee.**
27. Who are the parties that are involved in the SOP process start to finish? **The parties involved are: parts manager, service manager and service advisor.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes, our DMS prints out a form with the customer information on paper.**
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? **SOPs are located on a designated shelf. Our Service Advisor notifies the customer. Our service manager and parts manager decided when to return part.**
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? **As stated above, the parts are located in a separate area.**
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? **All of our counter men have the ability to create PO's. Our parts manager reviews all purchase orders. We do not have a set dollar level for Ros or POs.**
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) **Yes, our manager have purchase authority. Our parts manager oversees the purchases.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **My ficed operations director and parts manager establish internal parts pricing policies. Yes, everything is ran 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) **after further review, when including our WIP parts with the DMS report our inventory matches very closely to the balance sheet.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **See answer above.**
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) **See answer to question # 34**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
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) **We do not have a function chart. Each employee has a specific job description with duties listed. Currently our department has such a strong tenure everyone knows the processes. As we forward we will create a written process for departmental duties.**
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? **GM requires us to have 2 parts persons trained on Global Connect. Currently, meet the requirement. In the next couple months we plan to create training paths for all counter people.**
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? **Training records are only kept for our 2 parts employees on Global Connect.**
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? **Yes, my manager has taken Financial Management classes. He plans to retire in April 2018. I plan on getting our next manager some classes in that area.**
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? **Yes, I feel that our equipment meets the demand of our orders and it is in the best location**
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? **My parts manager tells me we are unable to make and changes because of GM's RIM program.**
44. Is the trend of those changes in question #42 a positive or negative trend? **We feel that the trend is working in a positive way.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **Our outside orders range from 7%-8%. When discussing EP's from GM we are about 1.5%**
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? **The DMS summary is printed once a month. My manager keeps them in his office for 24 months and then disposes of them. We do not used them to tract trends. I could fill in my score card.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **1 time a year usually during the last quarter of the year.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **No it was not. When brought up to my parts manager, he liked the idea and is implementing this into our process.**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **NO**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes, the lost sale quiz was given to all my parts counter people. Did not distribute the quiz anywhere else.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **No, but we are in the process of training our people to do so.**

53. Who reviews the Lost Sales? When are they reviewed? **My parts manager and myself review the lost sale quizzes.**
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, GM's RIM program sets the limits for s to order parts.**
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? **The demand could range from 1-5 orders. It all depends on the strata-code set by RIM**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **GM requires us to be at 85%. We are currently running at 92%.**
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)? **Every part that we sell in out into stock. The only exception would be for our bulk fluids and certain body shop and service supplies. Those supplies get charged to different location.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Procedures are communicated verbally. My parts manager is responsible for reviewing and updating the PPs.**
59. Who files damage claims on parts shipments received? **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? **We have a clerk that receives the inventory. The order is then crossed checked with our bar code system via CDK. Any discrepancies are filed by my parts manager.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **NO, I would like come recommendations on how to do this.**
62. Who applies and loads the monthly price updates? **Price updates are done automatically via CDK. If we get a bulletin from GM my parts manager will make the adjustment.**

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)? **My parts manager prints a monthly report from CDK (appreciation/depreciation report) to make the adjustments. He will then give this report to my Controller.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **\$11,621. Our accounting department had more parts in inventory than are DMS reported.**
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 a “months of NO sale” field on our DMS’s display line. When the part ages to 24 months my parts people will know to get it sold.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **Our service manager manages this. However, I need to look into this. My parts manager did not sound very confident with this response.**
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?
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?
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? **We have found one non-dealer that was under cutting us. Therefore, we had to adjust our prices to that one customer.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **My parts manager calculated our true turns to be 3.66. this was close to my calculation of 3.9. He noted that we average closer to 2.7.**
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. **I am currently in the process of doing the FFR homework. I feel that we could be stocking parts that may be in higher demand. Once we start tracking lost sales we could accurately determine what parts we need to**

- stock. When discussing with my manager he explains that GM's RIM program limits us on our flexibility to stock a higher demand of part because it will not be RIM protected. I feel I need to learn more about this program. Not sure why we would work about being "covered" if it is consistently selling.
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? **Our dealerships PP manual is located on our HR website. All employees must read and sign an acknowledgement form before their first day of work. The PP manual is one their GR homepage.**
74. Is your Parts Department locked up each night? Who has keys? **Yes, our parts department is locked up every night. The employees with keys are my stocking clerk, parts manager, and assistant manager.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **My front counter person has a cash drawer. Either my manager or my assistant manager balance the drawer.**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes, my accounting department manages these policies when doing the daily deposit.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **No, we do not have any security cameras.**
78. What one thing can Jim Stutzman Chevrolet Cadillac Company as an organization do to help you do your job better? **The one thig JSCC can do to better my parts managers job is to find more space to stock the bulky parts.**