

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. Reach out if you have questions.
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?
Service does reviews
We review our prices about once a year through phone calls and having an employee physically go to competitor's parts department.
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
We have held steady with competitors in our area. Prices have not varied too much over the last few years.
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.
Like the above comments, we do cold calling and physical trips for inquiries to see how we compare to others in our area.
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
We have various pricing guides for each type of customer. For instance, employees are generally 10% above cost. Wholesale is something that we rarely deal with. If we have somewhere to improve profit, it would be increasing the cost of parts for the service department.

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 can change prices, service advisors cannot.
While it is rare that they change the price, counter people do have the ability to change prices. Service advisors do not have access to our parts menu.
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))
We use an inventory adjustment account
I believe it's just the inventory adjustment account.
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
Yes, we try to keep in as close to factory price as possible.
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?
Discount earned acct.
There is an account that tracks discounts.
9. Do you have an internet presence for your parts department?
Yes
We list the parts available in stock on our website, but not the pricing. While we do give most of our parts away to charitable organizations once they are obsolete, we do post them at a discounted price on OEC for other dealers to purchase.
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?
Ford Accessory online
We do use the Ford Accessories website. After going over this with my parts manager, he is not quite sure what the cost vs. sales is at this time. This is something we will look further into.
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 salesperson. Handled by parts manager
We do not have an outside salesperson. Our parts manager deals with anything that goes along with this.
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?

Handled through service.

The parts department does not directly receive merchandising dollars. This is something the service

13. With the growing use of mobile smartphones by customers do you have a mobile ready website?

Yes

Yes. We have parts available online, but without the pricing.

14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?

Yes, quarterly, when needed

They are checked quarterly. Any changes that need to be made our brought to the attention of our Marketing Manager, and she will then change anything that may be necessary to stay competitive.

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?

Pay plans are reviewed once per year.

This is all reviewed at the start of the new year. At this point, the sales level is providing sufficient profit for the pay levels of the employees.

16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not?

Yes outside accounts

A large part of our revenue is from the service department. Our counter retail does not impact the overall profit much. Otherwise, we do work with other dealerships and salvage yards as additional revenue.

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?

Dedicated person in sales.

There is one person who sells all of the accessories in our dealership. We have a back up person as well, but this one person works each deal and communicates with the parts department.

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

Not really. Again, we tend to distance ourselves from wholesale since there are already a number of established dealers in the area who live off of wholesale.

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 try to avoid wholesale. Too many players in our area.

We have basically chosen not to enter the wholesale market. We have several dealerships in our area who have had control of the market for many years. At this point, I would be hesitant to enter this market. We do wholesale for only a select few customers within only a couple 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?)

Counterperson gets tax#

Yes we are up to date with our state Tax-ID. The counter people do get the tax #. Again, this is a fairly rare occasion for us though.

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.

Pay plan is off of sales

We really have very little expenses in our parts department. We create our pay program based off of the total amount of sales in the department.

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?

Accounts payable dept

This is handled by our accounts payable department. They will let us know of anything that seems out of the ordinary.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?

Yes, monthly

Yes, this is done monthly. Our GM and Parts Manager go over this every month.

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?

Prepaid over the retail counter, 20% restock charge.

Posted by retail counter. Parts Manager

It is written up and posted by the parts retail counter people. It is posted in our software system (AutoMate). It is reviewed and approved by the manager every

time. We have never done prepaid before, but that is a plan we are beginning to implement. Along with that, we have never done a 20% restock charge, but that may be an idea to consider.

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? Restock charge only for retail counter.

No

Not right now. The plan is to begin implementing pre-payment either at the end of November or at the start of the year. I don't think we would have to differentiate between them.

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?

21 days, no

The time is 21 days, but more often the part sits for well over a month. There is no return charge that I am aware of.

27. Who are the parties that are involved in the SOP process start to finish?

Service and Parts

Usually it starts with either the booking team in service or the advisor setting up an appointment. From there, this is communicated to parts who then order the SOP. After the part is delivered, parts relays this info onto the advisors. From there, they contact the customer to say the parts are ready for their appointment or available to set up an appointment.

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

Computer generated

This is all set up via AutoMate.

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?

Parts dept., Service advisor, advisor and parts person, yes

They are located in Parts. The advisor contacts the customer. Advisors continue to follow up on SOP's. If the customer does not return, we generally try to return the 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?

Separate section

We have a special order bin that is alphabetized.

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?
GM
The GM handles all of this.
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 counter people
The counter people have authority to order parts. When the PO comes in, the manager signs off on it. The GM oversees the parts manager.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? Dealer principle.
No
This is established by the GM. As far as I know, the Parts Department does not control this.
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)
Varies
It does vary, but often times it is below the financial statement amount.
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
As far as I can see, we do not show anything for dirty cores to be returned or credits due for parts return. Also, dollar value of parts with no cost record.
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)
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
LIFO is not used for this.
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)
Yes, each employee has a responsibility for this. Ordering and Posting is the counter people. Bin count inventory and returns is handled by shipping and

receiving. Cores is handled by our warranty parts person. Receipting is handled by the manager.

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?

Ford and Parts Manager

Ford obviously has a way they want to do things. It is the parts managers duty to follow this and add the ideas that the GM and owners feel can help. This is something that is reviewed quarterly. If there are no changes needed, this is not reviewed with the 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?

Yes, training done as needed

Yes, Ford has constant training that the parts people need to complete to stay certified and up to date. We have AutoMate specialists come in every few months for refreshers and tips for how to work the software.

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?

Continued training

Our parts manager continues to go to training every once in a while. A lot of trends are changing, and he likes to try and stay up to date with this.

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?

I'm not sure I understand the question, but we do require more equipment. We are expanding the dealership, and this will directly affect the parts department.

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%.

Parts Manager and order person.

The shipping and receiving employee does the stock replenishment. Right now, the majority of the adjustments are for little things like oil filters and air cabin filters. However, we have been seeing a lot of recalls and have been replenishing the stock to make sure we're keeping up with all recall RO's. It is definitely not 10%, but I would guess it is about 5%.

44. Is the trend of those changes in question #42 a positive or negative trend?
I guess I would have to say a positive trend.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?
We do not calculate this.
I don't know the percentage, but I do know the process. Generally, we try to see if we can get it that day. That generally leads us to look on OEC to see if anyone in our area has the part. If that is not the case, we will do an emergency order for the part.
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?
In parts and gone over with dealer principle and gm
The Parts Manager prints and stores these reports. They are not used daily, but they do have a managers meeting every Tuesday to discuss these reports.
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?
We track trends in our inventory, but we rarely track lost sales. The DMS scorecard will be implemented immediately. The only thing I couldn't find was dirty cores.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)
perpetual inventory
This is constantly being checked. We usually try to do a few bins/drawers a day to make sure our inventory quantity and value are accurate.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)
on hand checked on stock order parts
Again, these are constantly checked.
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate?
Parts manager spot checks
I'm not sure if this is done every day, but the manager does check this regularly to ensure everything is accurate.
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people?
Others in the dealership?
Yes

I have given this quiz to everyone in the parts department, but no one else in the dealership.

52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?
Yes, any parts person
Anyone can track this, but it's only being done occasionally.
53. Who reviews the Lost Sales? When are they reviewed?
Parts manager, monthly
The parts manager. However, this is not reviewed often enough or with enough accuracy to make the information useful. This is a big part of our new implementation.
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
They are tracked by the system. It is utilized, but it also has to be heavily monitored. For example, if one part is ordered three times in a week or month, the system will automatically start to order this part. However, if that was a rare occasion and the part wasn't needed again for the rest of the year, it will still order the part. The parts manager watches to make sure the items AutoMate orders are actually necessary.
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?
This depends on the item. Some are 3 in 9 or 2 in 12. It has a rough guide that we created, depending on the item.
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, no
Yes, everything is placed in the inventory. And no, we do not stock items that are not in our inventory.
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?
Verbal, Parts manager
These are verbal and the manager updates everything.
59. Who files damage claims on parts shipments received?

Dedicated person

Our shipping and receiving person files damage claims and tracks shipments received.

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?
Shipping and receiving person. Yes. Adjust and file claim
Shipping and receiving person. She cross-checks every order placed. We would file a claim for all of this.
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?
Yes
Yes, this is done every year at the end of the year.
62. Who applies and loads the monthly price updates?
Parts manager
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)?
GM
The GM does handle this. At minimum this is done once a year.
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?
I was not here a year ago, so I'm not 100% sure. From what I've heard from everyone, we had more inventory and dollar value than was accounted for in our system.
65. Are all obsolete parts that are on the inventory physically in the store?
Yes
Yes, they are kept in the store.
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?
No
This is not currently done. Any parts that we attempt to send back to the manufacturer has a special bin, but all obsolete parts are kept in circulation.
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 and GM

Generally the service manager with the approval of the GM

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
Weekly meetings are used to go over this with all of the managers.
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?
Yes
Yes, this is provided to him from the GM.
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?
\$408,067. Yes. No.
Our month's supply of inventory is \$408,067. I was correct with this. Our month's supply is 1.45, so we are just below the NADA profile of 1.5.
71. 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.
72. 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?
Manager has procedures. Manger
The parts manager has policy and procedures in his office. Anyone in the parts department can have access to this. Other than that, anything more technical may be up in Human Resources or with the GM.
73. Is your Parts Department locked up each night? Who has keys?
Yes
Yes, and only the parts manager, GM, and owners have a key to the department.
74. Do your Counter-people have a cash drawer? Who balances the drawer?
No
No, everything is handled up at the front desk.
75. Is there a policy in place for overages for the cash drawer/balancing?
This does not apply to the parts department.
76. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?

No

No. We had a major theft recently in our lot, so we are vamping up security all over the dealership.

77. What one thing can your organization do to help you do your job better?

Continue to supply me with resources to better understand all the ins and outs of each department.