

## 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 – Lexus of Hingham George Sarkis, General Manager

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? **We haven't changed pricing since opening the store in 2015.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **We don't have much competition. They're only 5 Lexus dealers in MA and our sister store is the closet and we mirror each other price wise.**
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. **Dealer Tire does market comparison for tires only. Nothing really else.**
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. **The system does not, we do personally. Wholesale we have 2 accounts, 1. Body shops get 20% off list price. 2. Independent repair shop 20% off of matrix pricing.**
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? **The policy is no one can change prices unless the part manager approve.**

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)) **NO**
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 when we have an emergency purchase the parts get received in at EO cost. We pay 10% mark up to other Lexus dealer and that get pull out of the obsolescent accrue 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? **We only purchase parts through Lexus. We do not buy Lexus parts from any other source.**
9. Do you have an internet presence for your parts department? **We currently do not have any source of internet presence for our parts department.**
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 currently use OPS Trax. It's a program that cost \$350 per month. It focus is on whole sales customer. The program help us price match with certain aftermarket parts. It can generate sales from \$4k to \$10k per month on average. By using this system body shop will send us their whole order rather than just a partial order. The discount we give to sale the parts we get back from Lexus and it goes back into the GP. For example let say an OE part sales for \$100 to a body shop but the insurance only pay \$75. We sale the OE part to the shop at \$75 and Lexus will give us back the \$25 that we have discount to the shop. If we don't use this system we would lose that \$100 sale because the shop would buy aftermarket part.**
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? **We currently do not have an outside sales rep. I try my best to make time to go and promote and visit shops but have not been able to do so for the past 4 months.**
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? **We do not have merchandising dollars from factory.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **We currently do not have any mobile web site for our parts department.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Online coupon are check monthly. I'm currently not involve with any online coupons the parts and service director take charge of this.**

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? **There have not been pay plan review for 2 years.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? **If not why not? The parts department does not live of the service department only. We do have wholesales and it's growing at a satisfactory rate. On average we get about 5-6 new wholesales customer calls a month. 50% will order parts from us and set up a wholesale account.**
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? Currently there is no set program for accessories with the sales 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. **We have not reviewed wholesales customers. Corporate believe in good customer service big or small and a happy customer will be repeat customer. We do everything we can to satisfy our customer.**
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 don't have much competition in our area but we do watch what other Lexus dealer doing. For instance IRA and Watertown have been in our area offering 25%off. However due to the promise i made to nearby shop that we can get the parts to them faster they would buy from us. I just have to make goods of my promise. Our biggest tread is Toyota dealer but most reputable shop would consider purchasing from us because of our knowledge of the products and good customer service.**
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 verify the wholesales customer account. Account cannot be setup unless we have an actual copy of their business tax exempt document. Address cannot be P.O. Box.**
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. **Have not have to discuss expenses. Parts department expense is fixed this only variable is freight which is manage by parts manager.**
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? **Parts manager determine credit approval. After credit application is fill out and return to us. Parts manager would call all reference given and also verify with provided banks to verify account good standing. (George let me know if you would like to have a copy of the credit application). The office manager would let the parts manger know if an invoice is unpaid over 30 days.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Yes parts manager is given the Fix Ops portion of the financial statement but have not had to go over with General Manager.**
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? **There are no set rules for special order. Parts get order on an RO when the vehicle is here for service and the tech requested the part. If the service advisor decide to let the vehicle go before the parts arrive parts employee would email that service advisor, BDC personal and service manager to inform that the parts ordered have arrive. On other occasion BDC would inform parts personnel to order parts for customer coming on specific appointment date.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **We do not prepaid parts on an RO. We do prepaid parts if it was a guest over the counter. We do prepaid on some wholesale account base on their return pattern.**
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? **Parts are retain in the parts department for a maximum of 2 months. Parts will initiate a return at the beginning of the third month. All special order parts have to be return within 90 days to avoid restocking fee from Lexus.**
27. Who are the parties that are involved in the SOP process start to finish? **Technician would request the parts. Parts personnel would advise on pricing and availability and once the service advisor approve the job parts personnel will order the parts. For retail guest parts personnel would take the order and would call the guest when the parts arrive. For wholesales parts would get deliver when arrive.**

28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes special order generated on an invoice with guest information's. Additional information such as specific phone number guest would like us to call when the parts arrive.**
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? **Service special order parts are in special order parts locations. Parts personnel would notify service advisor and BDC and service manager of the arrival of special order parts. The service advisor or the BDC would contact the guest**
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? **All special order parts are located in the general SOR parts bins. This location have multiple bins for large and small parts. These location is specific to special order only no stock parts would be in these location.**
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? For the parts department other than Lexus parts purchase, all other parts purchase are direct to specific RO. No outside purchase to be made without an RO.**
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) **Only parts manager authorize outside purchase pertain to parts and shop supplies only.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Internal parts pricing policies are establish by corporate. Yes all internal parts purchase must 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) **Reconciliation is done every month for our parts department.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **Yes sometimes accounting would be higher than parts inventory mistake are commonly wrong accounting posting or parts wasn't added to inventory correctly.**

36. If the accounting inventory value is less than that of the parts inventory value does this indicate an abnormal condition? (If not, why?) (Monthly Reconciliation Exercise) **Yes this could be accounting posting error or parts were added to inventory incorrectly (double add).**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **We do not use this function.**
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) **There are no specific function to each employee. All counter person are require to receive parts orders daily and generate orders nightly. Parts posting are done by the accounting department. Bin count, adjustment, return and dirty core are the parts manager responsibility.**
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? **Parts manager does all training for parts employee. Parts manager also schedule parts specialist for upcoming manufacture require training. No formal review have been done yet.**
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? **Record are kept with manufacture training program (LCTP)**
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? **Parts manager have not taken Financial Management class.**
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? **We have adequate equipment for our department and are in the correct place to serve our guest needs.**
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? **Daily stock order are adjusted automatically base on sales volume. I rarely make manual adjustment. If I make manual adjustment it would be for a part for newer vehicle that the system would stock 1 but i feel we should have 2. Once we have adequate sales I'll let the system take over and stock as it should.**

44. Is the trend of those changes in question #42 a positive or negative trend? **All changes are positive. As the system phase parts out i would let it phase out as it should i don't try to make changes on phase out.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **Less than 1% of our Lexus parts purchase are emergency 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? **Part manager print MGR report out in the parts department printer. This is use to create monthly reports for corporate.**
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 don't use DMS summary. We have inventory report we use to watch our inventory trend. Since Lexus went to the new return policy I have 3 reports I look at every month. 1 is the 9 months age (parts haven't sold for 9 months) and 2 is the 12 months age (parts haven't sold for 12 months. 3 is a report of parts that coming up to my 90 days return (special order parts). Not sure about the score card they mention here.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **I try to do bin counts monthly but sometime it's hard without help. Doing bin count monthly will help insure inventory is accurate. Any adjustment needed will be track and figure out the cause before any adjustment is made.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Yes fast moving parts like filters, wipers, brake pads and rotors are frequently check. 2-3 times a week.**
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 I cannot check every transaction to make sure all plus or minus are accurate.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Although I don't agree with the lost sales quiz we have been following the lost sale quiz rules. You should see a big different for this month.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes true lost sales are track by DMS. Any parts personnel can log a lost sales.**
53. Who reviews the Lost Sales? When are they reviewed? **Parts manager will review the lost sales reports at month end.**
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)? **Emergency purchase are viewed as a lost sales**

- when received in as emergency purchase. System will take emergency purchase into consideration when parts will get phase in. Our DMS are set to phase parts in base on sales. 2 sales in 2 consecutive months will phase the part in. Or 3 sales within 6 months if not consecutive. Or 2 none consecutive sales and an emergency purchase or a lost sales within 6 months the part will get phase in.
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? **Lexus does not manage our inventory system (Porches manufacture does). As stated above. Our DMS are set to phase parts in base on sales. 2 sales in 2 consecutive months will phase the part in. Or 3 sales within 6 months if not consecutive. Or 2 none consecutive sales and an emergency purchase or a lost sales within 6 months the part will get phase in.**
  56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Our vendor do not manage our inventory.**
  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 Lexus parts will get stock into inventory before sales. We do not stock in shop supplies or washer fluid.**
  58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **All receiving are verbal. No changes is necessary for receiving. We don't ship much so only the parts manager does shipping when need be.**
  59. Who files damage claims on parts shipments received? **Parts manager file claims for all damage parts 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? **All three parts associate does receiving when they open the store in the morning. Parts are received by scanning and cross check by DMS through ESD (electronic shipping document). The receiver will cross check any discrepancy and reports to the parts manager. Parts manger will cross check the exception report and the packing slip and will report any missing item to the PDC by mean of a missing claim.**
  61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes a yearly inventory is done normally in October.**
  62. Who applies and loads the monthly price updates? **If there is s price update from Lexus. Lexus manufacture and DMS work together to load up dates every night.**
  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)? Price adjustment are automatic. Bin counts irregularity are check by the parts manger daily. Only the parts manager can do an inventory adjustment and only after all resources are exhausted in trying to figure out the cause before any inventory adjustment.
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? Last physical inventory adjustment was Plus \$1100.00 and Minus \$1400 (rounding to nearest \$)
  65. Are all obsolete parts that are on the inventory physically in the store? Yes all obsolete parts are due to none returnable to Lexus and some are none Lexus accessories.
  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 they are still located in their location but is on a phase-out status. Once it get sold it will automatically phase out and not reorder for stock.
  67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? Not sure if the service advisor or the service manager does this
  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 parts manager watch the parts department WIP. The service manager watch service WIP. Once a week all managers, controller and GM meet to discuss open tickets.
  69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? Yes the parts manager view this in Enhance Report Generator. The parts manager also review this at month end.
  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? The current month supply for our inventory is 1 month.
  71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? Our current true turn is between 10-12 months
  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 think our inventory is good for our current business. Our dealer is growing and our inventory is growing with it.
  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? **There is no manual that i know of.**
74. Is your Parts Department locked up each night? Who has keys? **Yes the parts department is locked up all parts personnel have keys. GM, Service Manager, Sales Managers all have keys to parts department.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **No we do not accept payment in our parts department. All payments are accepted at the cashier.**
76. Is there a policy in place for overages for the cash drawer/balancing? **Not sure how the cashier does the draw.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes there are 3 camera to the parts department. GM, Service Manager and Parts Manager have access to camera 24/7 live and back up recording.**
78. What one thing can your organization do to help you do your job better? **Nothing I can think of. We have state of the art facility, with unlimited money and top notch everything.**