

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? **BI-ANNUALLY through-out the whole group of 10 dealerships. Random Spot Checks by Service & Parts Managers**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **On Closest Volvo dealer is our sister store 45 miles away. Pricing is equal to and adjusted to COLA Market Place.**
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. **I We compete equally with OEM. We are 20% above aftermarket.**
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, our DMS system has default pricing strategy assignments for various types of customers.**
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?

Service advisors do not have capacity to change pricing. Counter people have capability to change pricing, but also have posted guidelines as to what and when and where prices can and should be changed (extended warranty, warranty adjustment,

pro-rates, for example). We print a report monthly that can be generated in order to view and track those pricing changes. When extraordinary amounts are revealed it is brought in as a group discussion with the three total parts associates. Because of their pay plan structure, discounts have a direct impact to their respective pocket books, but we do empower them to make good call that can survive the light of scrutiny.

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))
Unable to adjust w/out GM or Parts Group Director's Approval Code.
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, except in the case of OEConnect/CollisionLink price matching where this is reimbursement. Strategy and usage to be explained if necessary.
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? They aren't because Volvo does not offer discount purchasing at this juncture. We do not source parts from outlets sales either where (for example) another dealer may be selling their obsolescence off at a deflated value in order to free up cash.
9. Do you have an internet presence for your parts department? No Coming 2018
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 - Coming 2018
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 and NO, and maintenance is done in a minimal fashion due to how lean the department currently runs at and the amount of other tasks to be accomplished by the manager.
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? Co-Op funds have been allocated to and for the Service Department to market in service business. Primary Use is Direct Mail

13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes, dealership as a whole. Parts Exclusive Coming 2018**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **Managed by Corp HQ with Input from Parts Manager. Supposed to be Monthly w/ PM but it is both done Periodically.**
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? **Annual Reviews Starting in April 2018 including Performance Review**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Parts Department does not exclusively live off of the Service Department or the Sales Department. Parts does have a reasonable penetration at the Parts Counter for walk up business as well as the potential and will to grow the Wholesale business further than what it currently is. Sales has committed to Accessorizing 2-3 Units 3 times a year.**
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? **This was the topic of a recent discussion between the Parts and Sales manager. Proposals are to be put together for the General Manager for approvals to implement.**
18. Do you review wholesale customers weekly to see if parts sales dollars per customer and returns justify the expense of conducting business with them? For example, delivery 30 miles out of town to a customer ordering \$300 a month of parts at Cost+20% may not justify the delivery service. **Not on a weekly basis, but on a case by case basis per when opportunities occur and present themselves.**
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? **There is a vast opportunity in the area, but the resources involved to penetrate the other players that**

have already shown to be pervasive in our market are not within the realm of being reasonable to support with our current sales figures. We would need to either run Wholesale at a loss for 6 months to a year in order to build the loyalty with outside customers, or accept a slow and long haul in order to build through conquering slowly a customer at a time.

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?) **Parts Manager collects appropriate tax forms and submits to our HR/Accounting resources office for any verification/filing.**
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. **Is there a question here to be answered or is this supposed to be some rhetorical posturing to make it sound relevant?**
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? **Accounting Receivables/Payables department handles all avenues of this.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Because of DP discretion. Access is only through the GM. The GM & All Managers Review Progress on an alternating daily basis commencing on the 20th through the close of the monthly 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? **Policy is not posted, and was last reviewed in Q3 of 2017. Customer Pays for the part(s) (special order deposit)**

Part(s) is/are ordered

Part(s) is/are received

Customer is notified

Customer picks up part(s) and special order deposit is relieved.

When the deposit is relieved-the gross profit then (and only then) is assessed to the GL for that sale.

Customer has 1 year to pick the part(s) up. If the customer does not pick up the part, the Special Order Deposit is relieved with notation of the part having been waiting for one calendar year for pick up. The part is then reviewed as to the viability of returnability.

If the part is returnable to the manufacturer, then the part is submitted for return to the manufacturer. When the manufacturer credits the dealership, the customer is then issued a credit minus a handling fee.

If the part is non-returnable to the manufacturer for whatever reason, then the part will be reviewed as to the best form of ultimate disposal of it. Customer is not issued any credit. This is reinforced by the statement on parts invoice regarding return policy on special order parts(see example in attachment).

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Warranty parts, or parts needed for a warranty repair are the only parts that are not ordered with a measure of prepayment. Control number on the invoice determines/differentiates between Counter Sale and Service RO.**

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? **1 year hold on Pre-paid SOP.**

27. Who are the parties that are involved in the SOP process start to finish? **Depends on the situation as to whom all is or can be involved. Parts SOP Only - Parts staff functions well as a three-man team keeping each other on point regarding aforementioned process. RO / Service Customer - ASM, Svc Mgr, Ops Support & Warranty Admin**

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

29. Where are special order parts for the service department located? Who notifies the customer the part is in, and who determines when to send the parts back if no response is made by the customer? Is anyone designated to follow up on SOP's, the lack of return? **Special Order Parts Area. If the SOP is for a Service RO, the Service Advisor does. Service Manager and Parts Manager. Parts Manager.**
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?
Regular
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? **We do not use a PO system. Under \$500, no GM Approval needed, \$500-\$1000 with notification/approval of the GM, Over \$1000, GM has to make the purchase. Exceptions apply as needed.**
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) **Depends on what capacity. Corporate Parts Director & GM will. At times Svc Mgr can with approval from GM**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **P Set at Corporate Level w/ DP & GM Approval and input from Parts Managers.**
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)
Determined by Corp Parts Director - We receive a Pass or Fail Communications Monthly and verbal feedback is provided to all five Managers. If anything is found out of pre-determined norms a deeper dive is performed.
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **Corporate Parts Director and Parts Manager Perform Monthly**

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) **When abnormalities are found and deeper review is conducted by the Corporate Parts Director and Parts Manager**
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.**
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) **No, because the Parts Department runs too lean to assign and restrict functions in such a rigid manner, so flexibility to allow functionality is key.**
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? **The manufacturer does. It is reviewed by the manufacturer due to "Back End Earnings". It is not part of their pay plan it is part of their requirements for employment.**
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, by the manufacturer. Continual training is required and is updated on a quarterly basis.**
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? **Will be scheduling in 2018.**
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 are an adequate level based on our current level of business.**
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? **Over 40% due to how lean the VMI program runs a dealership with suggested restocking. The Parts Manager does the changes with review of units in process in comparison to hits per month.**

44. Is the trend of those changes in question #42 a positive or negative trend?
Does not compute since no trend is found.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **Better than 98% is from the factory.**
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? **DealerTrack DMS does not produce a traditional MGR report, so they are not printed unless aspects of it are needed for various reasons. In addition, the Parts Manager would love to have something like a 2213 Reynolds and Reynolds report as well as access to a DOC that would produce Parts and Service figures at the beginning of everyday in order to review business closed and on the books in comparison to work in process. This would also help with predicting monthly trends and forecasting.**
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. ????. No.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Part Quantity.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Not in a couple of months.**
50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate? **Reviewed on a weekly basis.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **No. Any Counter Person.**
53. Who reviews the Lost Sales? When are they reviewed?
Parts Manager. Every few weeks.
54. Emergency ordered part ## reviewed to see if they qualify to be phased in?
Yes
Test/Non Stock/Watch feature of the computer system utilized to test which parts to stock (Phase In)? **No.**

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? **2 in 6 for most items, 3 in 9 for other outliers. No.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Greater than 90%.**
57. Are all parts sold by the department placed in the Parts inventory and then sold from the inventory? **Yes**
Do you stock any items that aren't in your inventory (Shop supplies, get ready, bulk fluids like washer solvent)? **Yes, items not "sold" in traditional manner.**
58. Are the procedures for shipping and receiving written or all verbal? **Working in a small team of three, Verbal policies reviewed monthly.**
Responsible for reviewing & updating policies and procedures? **Parts Manager.**
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? **Parts Manager or Lead Counterman. Yes. File them with the manufacturer.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **In theory, yes, but the habit is being regroomed back into a regularly scheduled part of this location.**
62. Who applies and loads the monthly price updates?
DMS system does automatically from Manufacture or Parts Manager & GM
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)? **Tracked by the Accounting department and used in the finalization of a physical inventory when reconciling the physical against the General Ledger.**

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **Minimal adjustments were needed due to the heightened level of bin counts to prep for the physical inventory. Overall reconciliation put the GL at less than the physical.**
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?
No, smaller inventory allows us to keep combined
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.**
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? **Parts and Service Managers confer regularly on the status of WIP, and Comptroller is briefed as necessary.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Daily Tracking starts on the 20th through the close out of monthly statement.**
70. What is the months' supply of the inventory? **Approximately 4**

Does it match student calculations found in their FS Parts Excel template? **YES**

Are too many parts stocked in the inventory based on this calculation?

No, because of the breadth of parts that is needed to respond to CSI Issues

71. What is the true turn of the inventory? **3.9**
Does that match student calculations found in their FS Parts Excel template? **YES**
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 it is but not for long. We will be expanding within 24 months**

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?
[Online in HR Program COMPLI, with GM & HR administrator.](#)
74. Is your Parts Department locked up each night? [Yes](#)
Who has keys? [Five Staff Managers and Parts Associates](#)
75. Do your Counter-people have a cash drawer? [No - Ops Staff](#)
Who balances the drawer? [Ops Staff](#)
76. Is a policy in place for overages for the cash drawer/balancing? [Ops Staff Pays](#)
77. Do you have security cameras in the Parts Department? [Yes](#)

Who has access to the tapes/CD/backup? [No one knows.](#)
78. What one thing can your organization do to help you do your job better?
[No one person knows except the DP & COO.
HQ needs to allow changes to be enacted in a more rapid fashion.](#)