

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?
Pricing levels are reviewed upon quoting process to provide competitive pricing over local market competition
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.
Pricing policies are inline with local market providing a competitive advantage in our area
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.
Not applicable 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 our system is set to automatically adjust pricing for wholesale, retail, internal and employee 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?

Part advisors can adjust pricing which is tracked through weekly margin reporting By parts advisor. Service advisors are blocked for adjusting 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))

Costing is controlled through DMS updates with manufacturer

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?

Wholesale/Jobber parts are coated at actual cost.

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?

OEM and Jobber parts are brought in under separate parts inventory accounts and margins tracked on each account

9. Do you have an internet presence for your parts department?

Only through dealer website.

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?

Utilize Factory Sponsored advertising and merchandising programs only

11. Is an outside salesperson active in your parts department? Are the sales at a level that “pays” for the employee or could the accounts be maintained on a part-time basis by the manager?

No outside sales representative is utilized.

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?

Unknown – haven’t been in position long enough to review.

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

Dealer website is mobile friendly

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

Updated with changes in factory incentives and programs as they end and become available.

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?

Monthly review is in place and profit levels growing at current established employee pay plans.

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

Although we continue to establish higher volume through existing clients the market growth is limited in nature and by geography.

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 – accessories are offered at time of sale, time of financing as well as after sales parts introduction.

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.

As result of size of market, reviews are performed monthly.

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?

Due to geography, competition for GM parts and wholesale is limited with closest competitor outside a reasonable servicing distance.

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?)

Accounting department performs verification of all wholesale account requests.

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.

Does not apply.

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

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?
Yes – it is reviewed at weekly managers meetings as well as 1 on 1 monthly on close of 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?
All SOR's without vehicle remaining on site are prepaid by customer unless repair is being covered by warranty. Memos were sent to all employees directy. Approved by GM and Parts Manager.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?
100% pre-paid on all SOR regardless of source of sale.
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?
30 Days to initiate return with a 25% restocking fee on all returned parts. SOR's are marked as final sale on invoice.
27. Who are the parties that are involved in the SOP process start to finish?
GM, Department Manager & Accounting
28. Are special order forms completed in a legible manner so that the customer information can be read?
All SORs are generated through DMS for ease of tracking, accountability and legibility
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?
SOR parts are located in a service receiving area organized by last digit of part number. Received SOR lists are generated daily and Service Advisors notify customers of parts arrival and to book appointments.
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 SOR Parts are kept separate of stocking inventory.

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?
PO's monitored daily by parts manager, no known cap on PO value, open PO's and their values also monitored through accounting.
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)
Parts advisors, part manager may generate purchase orders for purchasing from outside vendors. Purchases are monitored by accounting.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?
Internal Parts Pricing was established by GM and Parts Manager and all Internal purchase route 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)
Value in Parts is typically higher than the financial statement
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)
It's normal
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)
Not abnormal – due to statement catching up to parts entries.
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
True
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 not feasible for size of department

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?
HR controls training and is reviewed monthly and is also a part of the yearly employee review.
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 kept online and reviewed monthly.
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?
Financial Management courses completed through GM Academy. No formal parts managers training provided outside of manufacturer training.
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?
Dealership and department systems reviews were performed with adequate equipment in place that allows room for continued growth.
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?
Stock replenishment changes are less than 10% and are adjusted through Manufacture RIM program. Parts manager is responsible to review stocking policy adjustments while achieving manufacturer program requirements of 85% automatic restocking compliance.
44. Is the trend of those changes in question #42 a positive or negative trend?
Positive Trend to meet manufacturer program compliance.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?
75% Factory orders versus 25% Jobber/outside vendor.
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?
Reports are generated and reviewed weekly, only printed monthly unless an anomaly is identified. Printed reports are kept in parts files.

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?

Tracking summary is not being utilized to track trends at this time. Plans to incorporate with training of new Parts Manager.

48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)

Yearly upon inventory count or if obvious discrepancy is identified.

49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)

Randon Parts Shelves are counted weekly for count accuracy.

50. Are the transactions for each day reviewed by the parts manager to make certain that any adjustments made (plus or minus) are accurate?

Yes

51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership?

No

52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?

Lost sales are not logged through DMS

53. Who reviews the Lost Sales? When are they reviewed?

No procedure in place and not reviewed

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 reviews are conducted regularly to determine if part should be added to stocking inventory.

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?

= or >2 parts sales per month for 2 consecutive months.

56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?

Current report shows 80% trending upward towards 85%

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 items are placed as parts inventory. Shop supplies are charged directly to shop supplies account upon being handed out.
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?
Shipping/Receiving are written procedures. Procedures changes are reviewed and updated by the parts manager.
59. Who files damage claims on parts shipments received?
Parts Manager reviews and filed all damaged parts claims
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?
The Parts Manager receives all parts orders and cross checks against original order. Any discrepancies are addressed with supplier by the Parts Manager
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?
Yes random inventory verifications are performed weekly with yearly inventory counts.
62. Who applies and loads the monthly price updates?
DMS software manages updates automatically
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)?
Adjustments are tracked by both the Parts Manager and Accounting with adjustments performed quarterly.
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?
Brendon to check and answer this question
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?
They are identified and tracked electronically

67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?
GM, Accounting, Service Manager and Parts Manager all review WIP
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 – they are reviewed at each weekly managers meeting
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?
Yes – and is reviewed as part of each weekly Managers Meeting
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?
3.3 months inventory supply.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?
Brendan to answer this question based on formulas and calculations sheets he received during training.
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
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?
HR Manager has all Manuals and may be review by all employees at anytime upon request.
74. Is your Parts Department locked up each night? Who has keys?
Yes – Parts Manager, Parts Staff and GM have keys.
75. Do your Counter-people have a cash drawer? Who balances the drawer?
No – all payments handled through reception
76. Is there a policy in place for overages for the cash drawer/balancing?
Not applicable

77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup?

No cameras in place

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

No change required – have excellent communication and relationship allowing freedom to operate and efficient and effective department