

## 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?**Once every year.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.**A little lower than some of our OE competition for retail, but not as competitive in wholesale. Competitive with aftermarket alternatives. This really varies depending on part.**
3. Verify with the use of market surveys on selected parts prices in your area as to whether you are competitive with others. You don't have to be the lowest to sell more, but too little or too much profit can keep you from being competitive.**We use companies like NAPA to provide a discount option for things like pads, rotors, and oil filters so we are able to offer up both the OE options and a less expensive option like NAPA's product, that also allow us to gain incremental percentage points in GP. Not all parts are less expensive through NAPA so it's really on a part by part basis.**
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.**Separate pricing for all the categories. We use price patrixi-ng for all and are going to start price rounding.**
5. Do you have in place policies and DMS controls (via Exception or Deviation Reports) to prevent counter people from changing the pricing structure during daily transactions? What about Service Advisors?**We have recently eliminated the ability for service advisors to discount parts. However there are no controls for discounting for parts counter employees.**

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 aren't using the correct process when it comes to placing parts into our inventory. We are going to make this change w. CDK.**
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 100%.**
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 have a particular account that the discount goes to ie 670 ad account.**
9. Do you have an internet presence for your parts department?  
**We have the parts catalogs on our site and coupons for purchasing parts. Not too much here.**
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 have three displays; one in the service drive, one in the showroom and one situated in the parts department. The costs aren't overwhelming, but we have seen no direct correlation with these displays and sales.**
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?  
**Our fixed operations director travels to outside customers including body shops. We make sure that all of the body shops that get our business also reciprocate and purchase their parts through us.**
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 with Honda. They do provide limited free promotional material including signs and display product.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website?  
**We do have a website that is mobile ready. We are in the process of changing website providers to even further enhance the mobile experience for all departments at our store.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?  
**The parts department has a standard coupon that is up on the website and it isn't monitored very well or changed frequently enough.**

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? *Our fixed ops director is responsible for this, and it has been a long time since its been reviewed. Pay plans for certain parts departments are still paid on other parts departments, which is a problem that needs to be addressed.*
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? *The operations director visits body shops, but that is about all in terms of seeking 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? *Yes we are. Honda provides a good tool called an accessory sell sheet. For a short period they were being offered to every customer to look at their options to personalize their vehicle. A process needs to be put back in place to maximize this opportunity.*
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 do not do overnight shipping or do business with any accounts outside of approximately a 20mile radius.*
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 stay close to our dealership and don't try to compete with the big players around us. There are a couple dealerships that have a huge online discount parts operation and we do not have the space nor the transportation means to compete.*
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?) *Our operations director and controller verify that they are accounted for.*
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. *The parts department doesn't discuss regularly, only if an expense or expenses gets out of control.*

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? Our operations manager and controller determine who is eligible for COD. We have an AR/AP clerk who looks at schedules to see who is in need of payment.
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? No, only the operations manager and service manager look at it and review on an as needed basis with the parts 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? Director of ops created it. We have it archived, but it is not readily available. The parts department does a pretty good job collecting when it's a retail SOP purchase. The disconnect is when a special order part is purchased through service. Parts not paid for up front, and if they miss their scheduled service appointment no one follows up with them from there. Needs to be fixed!
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? Retail counter yes they pre-pay, not always on service RO's. As for wholesale it depends on the customer if they are a charge customer then no, if not then yes they pre pay.
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 is the policy. However if it's a pre paid part this time frame can be extended.
27. Who are the parties that are involved in the SOP process start to finish? Service writers and the service manager order and schedule the SOP through parts. The parts manager either orders the part or approves the ordering.
28. Are special order forms completed in a legible manner so that the customer information can be read? The special order parts form also includes a printed label that is placed on the part and then the part is placed on the alphabetized shelves.
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? They go on a shelves and sorted accordingly. The customer pay SOP's are pre-paid and just sit on the shelf until they are picked up. A parts employee will call when the part has arrived. The biggest problem is with SOP's from service RO's. They schedule the person to come back for the SOP, but no

one follows up with them. A process needs to be implemented here to clean up the SOP's. We have talked about a BDC to help handle these issues.

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? They are not separated on the monthly summary report. I think there needs to be a place where it's separated out and that might be possible by simply getting some more training on the DMS system or potentially something that is available through the OE system.
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? Executive management sees and signs off on end of the month. Each department has a director that is responsible along with the controller to look at each PO each month.
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) One of 5 people double sign off and every payable check that every department issues each month. If there seems to be a large change or anything out of the ordinary the signer would see the parts director.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? The original controller and DP years ago. I am the used car director and review parts pricing from time to time in order to make sure both departments are honest. We do often purchase ab normal parts through such places as ebay, ie warranty manuals, head rests or anything that is completely unobtainable 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)
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) We seem to have an issue in variance with tires from the reconciliation and the PAD.
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) No our reconciliation showed our variance was within guide. There can be returns included that haven't been paid for, dirty cores, WIP, etc.

37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **Got it.**
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) **The parts department utilizes cross-training so that each employee knows how to accomplish all of these tasks. With multiple stores, cross training also allows all parts personnel to work in different spots and different stores.**
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? **Honda provides multiple opportunities to train our parts employees. Our Parts manager monitors training levels and establishes protocol for who is to attend training. We also have two outside trainers who come in and advise the parts department as to how to train and what to do to improve the department. We also use the 20 group to get best practices as to what to do in the parts department.**
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? **We really struggle with our new DMS CDK and how to best utilize it. Honda provides good training for the catalogs and all manufacturer specs, but we need the help with how to best use the DMS system.**
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? **Honda provides a parts financial management class that our parts manager has attended prior years and also there are online modules that the parts manager can take to stay fresh with the financial management side of the department.**
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? **Currently we have 4 parts employees who are all cross-trained that work both the retail and service counters. During the busiest hours in the shop we have four parts counter salespeople working only three windows with three computers. It would be great for the parts department to gain access to one additional window and terminal during peak times. Currently town code is prohibitive of this, but future plans are to add one more counter.**
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? Our parts manager makes the adjustments and stated that about 30% of the order is manually changed. We also reviewed the order variance in the Honda. In and it appears that was a very close number and that 28.5% of stock orders are altered. Prior to CDK we had Reynolds and the parts manager stated that the variance was never this high with the previous DMS. Again I believe additional DMS training would benefit this process in the parts department.
44. Is the trend of those changes in question #42 a positive or negative trend? This is a negative trend, it seems that the parts department is really down on CDK and that is mainly due to lack of training and knowledge with the DMS.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? 85% of OE parts come from factory stock orders.
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? We have always utilized outside trainers to create our parts doc. We utilize a parts doc from a company called NetProfit. This report is an excel sheet that is on each parts computer.
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? Yes. We currently use our own tracking card, but I will give the ops director the scorecard and discuss how we can implement.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) Daily.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) Yes. Monthly.
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? I haven't given it to our other stores yet. I reviewed the lost sales quiz with the Honda parts department and they "seemed" to like the feedback and what actually qualifies as a lost sale.
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? Not properly. This is another issue with the parts department not having received the proper training on the new DMS. Training is most certainly needed on this.

53. Who reviews the Lost Sales? When are they reviewed? **Monthly the ops manager reviews them.**
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 CDK does this for us. Our phase in is 3 in 9.**
55. What demand history does it take to place a part on the inventory stock order or in inventory? Time limit and quantity are generally managed by Vendor Managed Inventory systems? **The phase in for our parts department is 3 in 9.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **We need more info on this one...?? We might be misunderstanding what is needed.**
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. Nope all is included in inventory. This is the only way to control the inventory.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **We do have written process for each. They are currently stored on the managers parts computer. The parts director would review and update when changes need to be made, like when we changed DMS providers, due to the changes in the technology.**
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 does that and uses the scanner to cross check the original stock order to the factory order.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes. Much easier to do this with CDK.**
62. Who applies and loads the monthly price updates? **The DMS does it automatically, they come from OE and go right to the DMS.**
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)? **Monthly. Ops director looks at these adjustments at least on a monthly basis and a year end overview and adjustment is done to close the books and clean everything up.**

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **We counted more than were shown in accounting. The last one was completed in May. We were +\$7000.**
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? **All obsolete parts are kept upstairs away from the rest of the inventory.**
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 for labor and parts manager for parts. Ops manager also reviews this monthly.**
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? **This is a job that both the service and parts director oversee each month. Seldom does WIP become a huge problem here at our dealership.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes we have a daily DOC that is an excel sheet that provides all the parts managers access to this.**
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? **2.3 on the FS spreadsheet 1.3 on our current doc. The goal is to get to 1.2 for our parts department.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **No I have 7.8 and we show on our doc 5.8. Our target is 3.5.-5.0.**
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. We don't have ample storage for body parts, but we really don't stock many to sell and use daily stock orders to fill these orders. The airbag epidemic has made room a little more sparse for us at Honda, but that problem is slowly going away. We use a local NAPA for much of our value line parts due to the fact that Honda doesn't supply a value line like other manufacturers. This structure of Honda parts plays into our FRFT calculation.**
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? All the manuals are with the HR department and each department gets policy procedures manuals.
74. Is your Parts Department locked up each night? Who has keys? Yes it is. All of the four parts employees, the service manager, and executive managers.
75. Do your Counter-people have a cash drawer? Who balances the drawer? One drawer and the parts manager manages the drawer.
76. Is there a policy in place for overages for the cash drawer/balancing? No very seldom is it over. The drawers is very light, usually only \$50.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? Yes they are all over the entrances and in the inventory sections of the parts department. The executive managers all have access to the tapes and the backup and review them when anything goes missing.
78. What one thing can your organization do to help you do your job better? The service department could write more descript RO's so that we can have the appropriate parts ready for the technicians. Even when sales orders accessories they need to have the proper trim level, colors, and vin number in order for parts to make the appropriate purchase.