

## 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. Please email all of the assignments to me at [cbavis@nada.org](mailto:cbavis@nada.org) and include your name and class #. Remember that this is due the Monday before your service class starts. This allows the instructor to grade it prior to your arrival. Good Luck. Reach out if needed.
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.

Chris Bavis  
[cbavis@nada.org](mailto:cbavis@nada.org)  
301-401-3301

## 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? **Every 6 months.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Lexus Canada compares pricing in surrounding area 3 times per year and send us report.**
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. **See above. We also regular check pricing on windshields and offer tire match.**
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. **We use matrix pricing for different customer ie, wholesale, retail etc. We increased internal to get to NADA guide.**
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? **Parts advisors have discretion to up to 15% off, parts advisors cannot change pricing. It is reviewed on which parts person discounts.**
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)) **All parts are put in at OE cost even when bought from outside, through inventory adjustments.**

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.**
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? **Parts credits and stock below OE would go to bottom line.**
9. Do you have an internet presence for your parts department? **We do on our website but not true listing of parts just ability to request quote.**
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? **Accessories displayed in showroom and boutique, dressing up cars. FB campaigns with wheels (few inquiries but no sales), email blasts (no cost). Lexus Canada subsidizes advertising.**
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 person, parts manager makes calls and visits wholesale accounts in slower 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 always maximize co-op spending.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **We offer coupons monthly and they are checked and redone on a monthly basis.**
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? **We review quarterly, on last review we decided to cut one parts person to lower personnel expenses to keep in line with parts sales.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **We seek additional revenue constantly with wholesale accounts, we have replacement person who started January 2<sup>nd</sup> which wants to get more in to online sales.**

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 have point of sale materials and spiff sales people. As well we have a counter person that helps.**
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. **Our wholesale accounts consist of body shops; we deliver within city limits and review accounts regularly.**
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 service all of Edmonton. We are the major player and compete with one other dealer in the city. We have a full time delivery driver and deliver as many times as needed.**
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 parts manager verifies all wholesale accounts and requests references.**
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. **We regularly review expenses and parts manager has a lot of input in his department. Currently he is paid on bottom line of the entire dealership but we are looking at some KPI's to put in place for his department.**
22. Who determines credit approval for parts customers and what screening system is applied? Who follows the receivables list in a timely manner to make certain payment is made by the customer without exceeding the account limits? **Parts manager approves credit limits. A/R department has bonuses tied to A/R.**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **The manager reviews the DMS report weekly but not the financial statement. Might be something we change.**
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? **We take deposit on all SOP's unless warranty or vehicle stays here.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **For Service RO- if vehicle is staying with us, we do not require pre-payment or deposit. For Counter Retail we require**

50% deposit. For wholesale, there is no pre-payment but it is clear the part is non-returnable.

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 need to be returned within 60 days, deposit is kept if they are not picked up.**
27. Who are the parties that are involved in the SOP process start to finish? **Parts manager.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes, it is done on a parts invoice.**
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? **We have a shelf in the parts department. A list is printed and given to specific advisor who contacts the guest and books the apt. We contact guest every 2 to 3 days, once 30 days hits we intensify and prepare to send back.**
30. See if special order parts are carried in a separate section of the parts inventory to maintain control. Or they inserted into the regular inventory? **Separate section.**
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? **Approval is always done through the GM and Fixed Ops Manger. The parts department is only authorized to purchase parts for resale purpose.**
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 personal are authorized to purchase from outside vendors. The GM and Fixed Ops Mangers oversee the PM. The Parts Manger has signing authority along with GM and Fixed Ops Manger.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Parts manager Parts manager with input from other depart managers and GM. All our through parts.**
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) **It is 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) **Accounting has a higher value \$607,841 on October statement vs. \$554,235 on Monthly Analysis.**
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) **Accounting has a higher value \$607,841 on October statement vs. \$554,235 on Monthly Analysis.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **N/A**
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) **We do have one, each employee has different dedicated tasks, ordering, returns , credits etc.**
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 the training along with sales department for help with phone training; they also have training through Lexus.**
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? **Lexus keeps transcripts for all training, DMS is mostly initial training with some required pop ups usually on updates.**
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? **He has not taken NADA but has been to Georgian College to take Parts Management and Financial Management. The last time he attended was in 1993.**
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 our good and review new systems and technology regularly.**
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?

Manually adjustments do not exceed 10%. These are done by our back counter person and are reviewed by the PM. The main reason for adjustment is to meet demand for seasonal high sales volume.

44. Is the trend of those changes in question #42 a positive or negative trend?  
It has been positive.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? We rarely do emergency purchases, less than 1%
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? With the parts manager, reviewed regularly.
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 do track trends and constantly look for areas of opportunity. The sheets helped see opportunities and threats with obso.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) When we do spot checks and when inventory is audited.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) Yes. We do regularly. And just did yearend audit.
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, he only does +/-
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? Yes all were given and also supplied correct answers.
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?  
Not enough, we are working to improve. All parts personal can track lost sales.
53. Who reviews the Lost Sales? When are they reviewed?  
Parts managers and fixed ops. Weekly.
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.
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?
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? We do not use third party.

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 is through parts department.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **All is written. Parts managers reviews and when updates occur shares with GM and fixed ops.**
59. Who files damage claims on parts shipments received? **The receiver notes it and front counter submits it.**
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? **We have a dedicated employee who receives and verifies every order with slip and order. Discrepancies are rare but when they occur we contact our rep.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes.**
62. Who applies and loads the monthly price updates? **Our EA and controller do DMS price updates.**
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)? **We do adjustment once a year.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **We were positive 25k, selling parts that were taken off for accessories also not taking price increases as profit.**
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 not currently, it is something we will look at but space is minimal currently.**
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 looks at all open RO's.**
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? **It is done monthly.**

69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **He looks frequently and it is always available to him.**
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? **1.311 According to doc, 1.485 according to management report. Guide is 1.5 indicating slightly too few parts.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **7.2 turns per year. 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. **We need to expand and are looking at storing additional parts in storage containers or other spots in the dealership.**
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? **Manuals and policy binders are located in the parts department. These are reviewed with the GM on an annual basis**
74. Is your Parts Department locked up each night? Who has keys?  
**Yes, Parts manager, GSM, GM etc.**
75. Do your Counter-people have a cash drawer? Who balances the drawer?  
**No, just cashier at reception.**
76. Is there a policy in place for overages for the cash drawer/balancing?  
**Speak with cashier, haven't had issues.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **No security cameras in parts just throughout dealership and parking lot.**
78. What one thing can Hendrick as an organization do to help you do your job better? **No idea who Hendrick is, so not sure.**