

## Fixed Operations One Homework Assignment

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Hobson Chevrolet Buick

### 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 3 months.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.  
**Our policies are very competitive after comparing with other GM stores in our area and other aftermarket parts stores as well.**
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.  
**After survey verification we are competitive and even a little lower than others. We will still be competitive after an increase in parts pricing using the matrix.**
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.  
**It allows us to vary pricing between different customers, but does not have as many options as other DMS systems. There is great profit potential for retail counter customers and internal for the service department.**
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 controls that do not allow the service advisors to change pricing structure, but we just implemented a matrix that will now do the same for counter people as well.**
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))  
**Yes**

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?

They are tracked through our DMS.

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

No

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 do not have any merchandising programs in effect besides our normal DMS and GM Global Connect. Out cost is just normal DMS monthly fees and GM fees.

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

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?

No

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

Not in addition to our standard dealer website that has a link to accessories available through parts.

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

No. We currently do not check them. Not sure if they are updated.

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?

Comparison is made on an annual basis. Yes, current sales are sufficient. More profit should be gained by using the matrix which will increase pay levels.

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

Only though wholesale. We have become complacent. New avenues need to be looked into.

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, but the program needs to be modified to increase sales opportunities. We have a part display set up outside the customer lounge. We are definitely leaving sales and profit on the table.

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.

No, we do not deliver.

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?

Yes, we are a major player. Delivery would be a potential opportunity to further infiltrate the market.

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 accounting office and yes they are all up to date.

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.

Expense control is out of the parts managers 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 accounting staff monitors receivables. Credit approval is determined by the GM. Most of our accounts are local businesses that we've been doing business with for years.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis?

No.

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?  
If the special-order part is ordered by a new customer payment is collected up front. It is written and posted in the parts department. We recently reviewed our policy and made changes. Approved by the Parts Manager and GM.
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?  
Yes. No, pre-payment is collected regardless.
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?  
90 days. A charge is made after 90 days.
27. Who are the parties that are involved in the SOP process start to finish?  
Parts consultant and Parts Manager.
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?  
REM of Parts. Service Department notifies customer part is in and Parts Manager determines when to send parts back. Parts Manager follows up.
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 carried in a 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?  
Parts Manager. Parts Manager monitors and approves all fixed asset purchases made.
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)  
Yes, the Body Shop Manager and Parts consultant. GM and Controller oversee Parts Manager.

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?  
**GM and Parts Manager. Yes.**
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 currently exceeds it.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)  
**N/A**
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)  
**A lot of old inventory has been written off, but not all of it. Normal conditions now vs. 3 years ago.**
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)  
**The Parts Manager and Parts Consultant both do all these transactions.**
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. It was reviewed several years ago and needs to be updated. No.**
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, two days ago.**
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?  
**No. No formal parts management training has been attended.**

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?  
Volume of business is at a level that is sufficient to our current hardware capabilities.
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?  
2%. No. Parts Manager. Retail Counter sales show consistent need for new part. Last Adjusted by the Parts Manager last week.
44. Is the trend of those changes in question #42 a positive or negative trend?  
Positive.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?  
90% stock order, 10% outside purchase.
46. Where are the computer-generated management reports printed and stored are they used on a daily? (CDK MGR Report) How are the management reports utilized?  
In the parts department and the accounting office. Not used on a daily basis. Reports were previously being printed and not utilized. Now we are using them to better control inventory and sales.
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?  
It is now. We are starting to incorporate for February. Yes, we couldn't find any phase out numbers or manual order numbers. We are working with Autosoft support. I believe there are some options that Autosoft does not have/show that prohibit us from being able to fully complete the scorecard.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time)  
Once a month.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time)  
We do bin counts, but we need to do it more frequently to increase 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?  
**Yes, it was completed by the Parts Manager and Parts Consultant.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale?  
**Lost sales are not tracked by the DMS. We are working with the DMS to see if this is even an option. Lost sales are being actively tracked by the Parts Manager and Parts Consultant.**
53. Who reviews the Lost Sales? When are they reviewed?  
**Parts manager. They are reviewed bi-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)?  
**No. No they are not, Autosoft does not have a phase in/phase out feature.**
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?  
**3 hits in a 3 month period to manually add it to stock order. Managed by REM system but not DMS.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?  
**90%.**
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, they are. No.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?  
**They are written. 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, they are stocked in. Yes. File a claim to dispute discrepancies.**

61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?  
**Yes, it is done on a yearly basis.**
62. Who applies and loads the monthly price updates?  
**The Parts Manager and Parts Consultant.**
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)?  
**More than OE cost. It is a periodic adjustment done once a year.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?  
**There was a \$15,000 adjustment required.**
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.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?  
**Controller.**
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 mostly done by the controller. He holds everyone accountable. WIP is an issue in our store and we need to fix it.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?  
**Yes.**
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?  
**1.8. Yes. No, we need to stock more parts.**



71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template?

.37. 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, Inventory area is 80% filled.

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?

Parts Department. GM.

74. Is your Parts Department locked up each night? Who has keys?

Yes. Parts Manager, Service Manager, GM, Sales Manager, Finance Manager.

75. Do your Counter-people have a cash drawer? Who balances the drawer?

Yes, Accounting office staff and Controller.

76. Is there a policy in place for overages for the cash drawer/balancing?

Yes, Controller manages overages.

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

No

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

Nothing, we are not a Hendrick store.