

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 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
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?**
 - I. Parts Manager: Our source pricing levels are reviewed on a daily basis.
 - II. Natalie: This is good, because it is ensuring that we are competitive. The market can change quite quickly, so by doing these reviews on a daily basis; our pricing is kept as up to date as possible.
- 2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.**
 - I. Parts Manager: We are quite competitive in our area (Peterborough).
 - II. Natalie: For example, our Assistant manager collected information and it states that for a specific part for a 2011 Journey; our asking price is \$230.00; CarQuest is \$489.02; and Ptbo Auto Pricing is \$295.05.
- 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. Natalie: Based on the information collected by our Assistant Parts Manager; I have concluded that we are generally the lowest in the 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.

- I. Parts Manager: Yes, we have several pricing guides- depending on the type of customer
- II. Natalie: Standard retail code has a markup of 65%; Senior discount offer 10% below retail code; Staff pay cost plus a 20% markup; an wholesale customers will have a markup of 15%, 20%, 25%, or 30%.

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?

- I. Parts Manager: No, we do not have policies and DMS controls that prevent counter people from changing the pricing structure during daily transactions. The Parts Advisors and the Parts Manager are capable of changing the pricing structure; however, the Manager uses the Counter Person Override Report to monitor on a daily basis. Service Advisors do not have access to change the pricing structure.
- II. Natalie: We need to start limiting the access that the Parts Advisors have to change the pricing structure. Far too many discounts are being given to customers that do not deserve them.

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))

- I. Parts Manager: We do not have a written process to prevent the costing of parts at other than established factory cost within the dealership. Each part is inputted into the computer at the cost of what we bought the part for.
- II. Natalie: We should have a written policy or process. This will eliminate the chance of inputting the wrong price.

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?

- I. Parts Manager: Yes, the Chrysler parts are costed at the same factory price. Non Chrysler parts are costed at the purchase price.
- II. Natalie: This is good; that means that we can maintain an accurate inventory value.

- 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?**
- I. Parts Manager: Discount purchases are tracked in the system by placing the additional profit in Account 585E in the invoice. This Account is present and will show up on the DOC every day.
 - II. **Natalie: It is good that Account 585E is present on the DOC every day, which means that additional profit can be seen each day.**
- 9. Do you have an internet presence for your parts department?**
- I. Parts Manager: Yes, we do have an internet presence for the Parts Department.
 - II. **Natalie: We have a Parts Department website, a Kijiji page, eBay; as well as the start of a Facebook, Instagram, and Amazon page.**
- 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?**
- I. Parts Manager: The merchandising programs that we have in effect are the local newspaper, a Facebook page, our dealership website, and a Kijiji page. In terms of relative cost versus sales; we are generating more profit than we are spending. The newspaper is the only media outlet that actually costs the dealership any money.
 - II. **Natalie: We are also considering selling parts and apparel on Amazon.**
- 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?**
- I. Parts Manager: Yes, we do have an outside salesperson who is active in our Parts Department. We are at a level that pays for the employee because we sell 1.3 million in wholesale.
 - II. **Natalie: We wholesale to bodyshops and other dealers outside of our area; so it is not something that could be done by our Parts 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?**
- I. Parts Manager: No, we do not have any factory merchandising dollars; however, we do have advertising dollars.
 - II. **Natalie: The Parts Manager did not address the second question.**

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

- I. Parts Manager: Yes, our website is smart phone compatible.
- II. Natalie: This is good that our website is smart phone compatible.

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

- I. Parts Manager: Our Parts Manager checks the internet Parts coupons on a bi-weekly basis. They are update each time a certain coupon is no longer valid, or when new coupons are set to be used. Customers are also able to subscribe to an email chain so that they can obtain their own coupons.
- II. Natalie: These coupons are only available on our website. It is important for us to broaden our social media platforms so that we are better able to hand out more coupons; thus increasing the likelihood of obtaining business.

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?

- I. Parts Manager: Pay plan reviews are done on a monthly basis because that is the point when the commissions are given to our Parts Advisors and Counter people. Yes, the current sales level is providing a sufficient profit for the pay levels that have been established.
- II. Natalie: We have eliminate one Parts Advisor because he was making mistakes that we costing us more than what he was producing.

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

- I. Parts Manager: The Parts Department seeks additional revenue through advertising, apparel, wholesale, and pre-loading showroom vehicles.
- II. Natalie: We need to take advantage of other opportunities such as online social media platforms. These are going to be more effective than any of the other revenue streams-except for wholesale.

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?

- I. Parts Manager: We are not leaving any additional sales or gross profit on the table because we pre-load the showroom vehicles and provide an accessory sheet.

- II. Natalie: This is good because we have actually gotten a lot of sales from customers seeing certain accessories in the showroom vehicles and then deciding that they must have those accessories in their own vehicles.

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.

- I. Reviews of wholesale customers are done on a monthly basis in order to check gross profit on body shops and general repair shops.
- II. Natalie: I think it is important to look at our wholesale customers a little bit more often because a lot can change in a matter of a month. Perhaps reviewing on a bi-weekly basis would be more effective.

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?

- I. Parts Manager: We are the major players in our area. We do study the wholesale market. We do not really have any competition, with the exception of Canadian Tire. Yes we are able to deliver 2-3 times a day within a 30 mile radius.
- II. Natalie: We sold \$1.3 million dollars in wholesaled parts last year; we are gradually beginning to expand into other areas as well.

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?)

- I. Parts Manager: The Parts Manager verifies the wholesale customer application to ensure that they are truly wholesale customers on a monthly basis.
- II. Natalie: This is really a responsibility that could be undertaken by the Assistant Manager.

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.

- I. Parts Manager: All of these issues and discussions are had during the managers meeting..

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?

- I. Parts Manager: The Accounting Department determines credit approval for Parts customers. They speak to their financial references and provides the Parts Manager with a weekly receivables sheet.
- II. **Natalie: That is good that we have a thorough screening process.**

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

- I. Parts Manager: Yes, the Financial Statement is given to the Parts Manager. It is discussed on a weekly basis.
- II. **Natalie: It is impressive that the Financial Statement is discussed on a weekly basis; since the Financial Statement only comes out once a 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?

- I. Parts Manager: We do not actually have a Special Parts Ordering policy for SORs. It was reviewed by the Parts Manager in December. The policy is to have the customer pre-pay for the parts that they are ordering; once the part arrives, the Service Advisor or Parts Advisors will call the customer and notify them- as well as to book an appointment for them to come in and either pick up the part or have it installed.
- II. **Natalie: We should have this policy and process written; this will help avoid mistakes and develop a chain of events in order to ensure that there are not any steps that are missed.**

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO?

- I. Parts Manager: The Parts Department requires that there is a full pre-payment on special order parts. No, there is no distinction between counter retail or wholesale.
- II. **Natalie: The Parts Department and the Service Department tend to work hand-in-hand when order parts; yet the Service Department does not require a pre-payment for special order parts.**

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?

- I. Parts Manager: We do not return anything for 6 months. The Parts Department receives \$5,000.00 in return dollars

27. Who are the parties that are involved in the SOP process start to finish?

- I. Parts Manager: It depends if you are focusing on the counter slip, or in the shop. Usually, the Parts or Service Advisor will get an approval to order a part. The Advisor will order the part through the Dealer Business System and the order is received by Mike (assistant Manager) and gives the order to the Parts Manager. Once the Parts Manager has seen the order, it is sent to Chrysler. When the parts arrive, they will be received in the system and the Parts or Service Advisor will call the customer and make an appointment for them to either have service done, or pick up their part.
- II. **Natalie: There seems to be some confusion as to who is going to call the customer once the part arrives at the dealership.**

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

- I. Parts Manager: We do not have a special order form; everything is done on the computer and is all electronic.
- II. **Natalie: The issue with completing forms all electronically is that there can be issues with the computer, there could be power outages, or the system may just crash. It is important that we have a backup; or that we have forms that can be accessed if the system crashes, or there is a power outage.**

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?

- I. Parts Manager: The special order parts for the Service Department are located in the Parts Department. The Service Advisors are in charge of notifying the customers that their parts have arrived. The Parts Manager is in charge of determining when, and actually sending the parts back if the customer does not come to collect their parts. The Dealer Principal, the Service Manager, and the Parts Manager are in charge of following up on special order parts and the lack of return.
- II. **Natalie: I do not think that it is necessary to involve the Dealer Principal in the follow up of the special order parts. It is actually clear that the Dealer Principal is not aware of whether or not parts are being returned to the manufacturer because while our Parts Manager was off for a year- no parts had been returned.**

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?

- I. Parts Manager: Special order parts are carried in a separate section of the parts inventory.
- II. Natalie: It is good that the parts are kept in a separate area. We actually separate all of the parts the moment that they are received from shipping.

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?

- I. Parts Manager: The Parts Manager administers and controls the Purchase Order System. All Parts Advisors have an \$800 amount of fixed asset purchase without the approval of the Parts Manager. The Parts Manager sets and monitors these levels and the number of open Pos.
- II. Natalie: \$800 is a large amount of money for the Parts Advisors to be allowed to control per invoice. The Parts Manager should lower that amount so that he can have better control over what is being spent in his Department.

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)

- I. Parts Manager: All of the Parts Advisors have permission to purchase from outside vendors. The Accounting Department and our Accounts Payables supervise the Parts Manager.
- II. Natalie: I think that we need to limit the amount of Parts Advisors who have permission to purchase from outside vendors. Not having enough control may lead to overspending.

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?

- I. Parts Manager: The Dealer Principal established the internal parts pricing policies. All internal purchases are made through the Parts and Service Departments.
- II. Natalie: Ideally, all internal purchases should be made through the Parts Department only; it should not be shared with the Service 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)

- I. Parts Manager: The value of the Parts Inventory on the parts computer exceeds the Financial Statement dollar amount.

- 35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)**
- 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)**
- I. Parts Manager: Not applicable.
- 37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.**
- I. Parts Manager: Due to the fact that we are in Canada, LIFO does not apply.
- 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)**
- I. Parts Manager: No, we do not have an employee responsibility to function chart. Mike Contois is in charge of grading, ordering, and returns. The Parts Manager is in charge of everything else.
 - II. Natalie: The Parts Manager should spend more time managing instead of completing tasks that should be done by Parts Advisors of Parts counter people.
- 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?**
- I. Parts Manager: The Parts Manager is in control of the training programs for the Parts employees. It was last reviewed in DecemberParts Manager. It was last reviewed in December and it is checked monthly. Yes, and 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?**
- I. Pars Manager: They are kept online through Chrysler. Chrysler Canada covers the parts catalog training in manufacturer training

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?

- I. Parts Manager: Yes, the Parts Manager has taken a Financial Management class. It was offered by Chrysler and it was three years ago. This was the second or third class that he has taken and will be completing another one this year.
- II. Natalie: It would have been beneficial for our Parts Manager to attend the NADA Parts Course because he would have learned more of the calculations that are necessary for the Parts Department to succeed. However, it is commendable that he has gone to several of these courses and plans to attend more in the near future.

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?

- I. Parts Manager: We have one computer for each Parts Advisor or counter person; 3 printers; and one scanner. We have more than enough equipment to complete the volume of business that we are doing.
- II. Natalie: We even have computers for the drivers who rarely need computers.

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?

- I. Parts Manager: Approximately one percent of our daily order is manually adjusted. The Parts Manager makes the replenishment changes; with the most common reason being that the phase-in and phase-out may be needed sooner. The daily order is manually adjusted on a daily basis by the Parts Manager.
- II. Natalie: Perhaps if our phase-in and phase-out was not 3 demands in 6 months; we would not need to adjust the daily order on a daily basis.

44. Is the trend of those changes in question #42 a positive or negative trend?

- I. Parts Manager: It is a positive trend.

45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)?

- I. The percentage of stock order from the factory versus emergency purchases is about 99 (factory): 1 (emergency purchases).
- II. **Natalie: I feel as though there may be some inaccuracy with the aforementioned statement. It is impossible to know because emergency purchases were not being tracked properly when we were at NADA.**

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?

- I. Parts Managers: The computer-generated management reports are stored in the Parts Managers office; however, he does not print many off because they would take up too much space and it is easier to have digital copies, rather than physical copies.
- II. **Natalie: If digital copies are easier for the Parts Manager to read and keep track of everything- that is great. But it is important to ensure that each document is read .**

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?

- I. Parts Manager: Yes, the DMS Summary is used to track inventory trends. I will be incorporating the DMS scorecard next month. We were able to find all aspects of the DMS scorecard.
- II. **Natalie: We should be completing the DMS Scorecard on a monthly basis.**

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

- I. Parts Manager: The Parts Inventory is adjusted for errors on a daily basis.
- II. **Natalie: It is good that we do this on a timely manner to ensure that there are no errors that go unchecked or unnoticed.**

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

- I. Parts Manager: Yes, we just completed a physical inventory check in January.
- II. **Natalie: This should be done on a more regular basis; if it is only fifty parts- it may be best to do this on a monthly basis.**

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

- I. Parts Manager: Yes, the transactions for each day are reviewed by the Parts Manager.
- II. **Natalie: Our Parts Manager has been doing this for years.**

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

- I. Parts Manager: Yes, the Lost Sale Quiz has been completed by the Parts Manager and the Parts Advisors.
- II. **Natalie: It did not seem necessary to give the Lost Sale Quiz to other individuals in the dealership because no one else will ever need to track a lost sale.**

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

- I. Parts Manager: Yes, true lost sales are being tracked in our DMS. The Parts Manager and the Parts Advisors are capable of logging a lost sale.
- II. **Natalie: Our Parts Manager says that he has been logging the lost sales on a daily basis, but it is not showing up on our DOC or our DMS report.**

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

- I. Parts Manager: The Parts Manager reviews the lost sales. These reviews are done as the adjustments are being done; and these lost sales are inputted on a daily basis.
- II. **Natalie: I think that we need to explain to the Parts Advisors what a lost sale is. The only person who scored 100 percent on the quiz was our Parts Manager. Each member of the Parts Department should be clear on what- and what is not- a lost sale.**

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)?

- I. Parts Manager: Yes, every piece that is bought in to our inventory is reviewed by the Parts Manager to see if that part qualifies to be phased-in.
- II. **Natalie: It is good that each piece is reviewed by our Parts Manager; but I believe that he should also consult with one of the Parts counter people so that he can be sure that he is stocking the right parts mix.**

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?

- I. Parts Manager: Our demand history is three demands in six months.

- II. Natalie: In class, we learned that the average is 3 demands in 9 months. Due to the fact that our demands are off balance, it is going to be incredibly hard to stock the right parts mix, as well as the phase in the parts that we need.

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

- I. Parts Manager: Our compliance percentage level for our inventory is 86.7 percent
- II. Natalie: We should be a little bit more compliant, so adjustments are going to need to be made to our inventory

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)?

- I. Parts Manager: All parts are placed in the Parts Department inventory, and then parts are sold from there. We do not stock any items that are not in our inventory.
- II. Natalie: I think our Parts Manager may be wrong about stocking certain items that are not in our inventory.

58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures?

- I. Parts Manager: We do not have a written policy for shipping and receiving. It is constantly changing on a weekly basis, so it is just easier to avoid written procedures.
- II. Natalie: It seems like there is the potential for issues to arise when there is no written procedures present. Although, our employee turnover is incredibly low and our Parts Department is comprised of individuals who have been in the Department for many years.

59. Who files damage claims on parts shipments received?

- I. Parts manager: Mike (parts administrator and assistant manager) files all damage claims. Mike is the one who files claims and then keeps track of it in a binder near his desk.
- II. Natalie: It is good that only one person is in charge of filing damage claims; this eliminates the chance of filing two identical claims or not filing claims at all.

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?

- I. Parts Manager: The Parts Manager receives all of the parts orders through the Dealer Business System (Reynolds). The original stock order is cross-checked with the factory order. If there are any discrepancies, the warehouse is immediately emailed and we submit a discrepancy claim.
- II. Natalie: Perhaps the Parts Manager's time would be better spent on other things, instead of being the one to receive parts orders and cross-checking them.

61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis?

- I. Parts Manager: Our perpetual inventory is done every four months; but we would like to change it to every three months.
- II. Natalie: I do not believe that it is necessary to do a perpetual inventory every three months; it may be more efficient to leave it at every four months.

62. Who applies and loads the monthly price updates?

- I. Parts Manager: The Parts Manager applies and loads the monthly price updates. He also goes through the entire report on a weekly basis.
- II. Natalie: Our Parts Manager like to double and triple check everything so that we can ensure that nothing is off count or unbalanced.

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)?

- I. Parts Manager: The Manager makes adjustments and tracks all of these components on a daily basis. If you do not do this, you may have 500 pieces missing and would have to spend the entire night looking for them.
- II. Natalie: The Parts Manager spends a lot of time ensuring that the Department is running smoothly because we have several Parts Advisors that take care of the other daily responsibilities.

64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory?

- I. Parts Manager: After the last physical inventory, we made an adjustment of \$20,000.
- II. Natalie: We do a physical inventory once a year; it may be more accurate to do a physical inventory twice a year.

65. Are all obsolete parts that are on the inventory physically in the store?

- I. Parts Manager: Yes, all obsolete parts are in the store.
- II. Natalie: The obsolete parts are kept in an area that is away from the rest of the inventory.

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?

- I. Parts Manager: Yes, obsolete parts are kept in a separate area and have a separate source. A 'J' has never been used in order to change a bin location.
- II. Natalie: Using a 'J' may be a better system. Right now, all obsolete parts are kept in the same area.

67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status?

- I. Parts Manager: The Service Manager and the Dealer Principal verify that the Repair Orders between the first and second month are reported in the Work In Process status.
- II. Natalie: This is good. There is no need to involve any other parties in this discussion.

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?

- I. Parts Manager: Yes, the management team works with the Accounting Department to ensure that Work In Process tickets are closed in a timely manner.
- II. Natalie: The entire management team does not complete this all in one meeting; it is spread out. It might be more effective to actually cover all Work In Process tickets at once to avoid mistakes and to ensure that it is done in a timely manner.

69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)?

- I. Parts Manager: Yes, the DOC has always been provided to the Parts Manager.
- II. Natalie: The Parts Manager works closely with the Accounting Department to ensure that the Parts Managers calculations match the DOC.

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?

- I. Parts Manager: Our inventory months' supply is 1.59. Based on this calculation; no, we do not have too many parts being stocked in our inventory.
- II. Natalie: We should decrease by 0.9 percent so that we are at exactly forty-five days or one and a half months.

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

- I. Parts Manager: The true turn of the Parts inventory is 3.7 turns per year. The calculations found on the FS Parts Template says our true turn is 4.1 turns per year.
- II. Natalie: Our turns should be much higher than 3.7. We clearly do not have the right part mix.

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.

- I. Parts Manager: Yes, our inventory area is large enough for the current level of business. We have 5 containers, a shed, and an additional dealership.
- II. Natalie: Based on the First Time Fill Rate exercise; we do have a large enough inventory area. Our First Time Fill Rate is 86.0 percent, but the issue was with poor inventory management, not space.

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?

- I. Parts Manager: We do not have any policy or procedure manuals.
- II. Natalie: We do not have any written policy manuals for anything; we should take the time to actually complete this.

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

- I. Parts Manager: Yes, the Parts Department is locked each night. All of the Parts Advisors and the Parts Manager have keys to the Department.
- II. Natalie: It is unnecessary for that many people to have keys to the Parts Department. Now that we have actually cut the hours of our Parts Department to 5:30 every night; there is no need for anyone, except the Parts Manager to have a key.

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

- I. Parts Manager: Yes, the counter people have access to the cash drawer/ The Parts Advisors ensure that the drawer is balanced and then our Accounting Department will check to ensure that everything is balanced and correct.
- II. Natalie: It is probably best to limit the amount of individuals who have access to the cash drawer; but it is good that the Accounting Department comes and checks the cash drawer.

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

- I. Parts Manager: There is no policy for overages in the cash drawer. If we are over, the money says in the float and we try and figure out what was the cause. The same thing goes if we are under.
- II. Natalie: We should probably have firm policies and procedures for overages. Individuals may get busy and forget to find out why we are over or under; which can lead to inaccuracy.

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

- I. Parts Manager: Yes, we do have several security camera in the Parts Department. Anyone on the management team can go and review the tapes/CD/or backup.
- II. Natalie: I think it is important that each member of our management team has access to the cameras. For example; our sales managers may find something to do with Parts, that our Parts Manager might not have caught or seen.

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

- I. Parts Manager: Unsure of what Hendrick is.
- II. Natalie: Because we are in Canada, neither I- nor out Parts Manager- knew what Hendrick was.