

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.

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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? **Annually**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **RO mechanical higher. Retail and Wholesale competitive.**
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. **Confirmed / identified with question 2.**
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. Pricing setup by labor type in service. Wholesale have variable depend on customer grading. Internal now at customer pay ro mechanical rate. Matrix setup – triggered by part cost.**
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? **Yes. Exception reports ran daily and reviewed weekly.**
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)) **Cost price established by factory with monthly updates.**

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? **Gross taken in at time of input. Manually tracked and info provided to FOD and GM**
9. Do you have an internet presence for your parts department? **Yes. Minimal.**
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? **Factory supported merchandising, Amazon, Ebay (minimal). Utilize ebay and Amazon for OBS and accessories. Cost vs sales – high cost for minimal return.**
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 Salesperson.**
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 utilize factory CO Op advertising. Additionally incentive points provided. All used. We maximize all factory opportunities.**
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? **Monthly and updated monthly.**
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? **Payplans are updated annually. Our corporate provides payplan analysis. sales comp is better than benchmark.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Largest departmental profit is from the Service dept.**
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? **We have POS accessory displays and**

- menus in sales dept. These are not maximized. Push for FI gross and front end gross – high pvr.
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 analyze and grade wholesale customers monthly. Most local with minimal expense.**
 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 chose to not expand our wholesale operation due to local / semi local unfair competitive practices.**
 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?) **Certs are current, required to be reviewed annual by our corp. Parts manager and Controller review applications and process in addition to our corporate office.**
 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. **Parts dept expense is better than benchmark. Expenses thru out dealer and allocated based on gross contribution. Manager is competent and expense control minded in all areas of influence.**
 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 corporate office (Lithia) approves credit lines. FOD, Manager and AR depts. Work collectively and aggressively the receivables schedule. Addressed weekly.**
 23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **We utilize MIS on our Corporate Performance Dashboard. All lines of statement are on our Dashboard with drill downs.**
 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? SOR orders are prepaid. **Customers notified by BDC and or parts personnel. Phone or text. Parts organized by latest return date in bins. Policy written and posted at each counter. Parts Manager, FOD and GM approved.**

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Yes. Each counter orders are separated.**
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? **No charge on return parts with our manufactured. SOR are strictly returned at 30 days unless other arrangements accommodated for customer or repair.**
27. Who are the parties that are involved in the SOP process start to finish? **Parts personnel and BDC.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **YES. And also provided on report daily.**
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? **Parts manager determines when to send. BDC actively and aggressively handles sop for service dept.**
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? **Physically separated for control and return process. In accounting inventory – is in regular inventory.**
31. Who administers and controls the Purchase Order system (DMS/book)? What dollar amount of fixed asset purchase can be made without approval above parts management level? Who sets and monitors these \$\$ levels and total open PO's and open PO \$'s? **Parts Manager. No Limits / Levels in place currently.**
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 Manager, Specific parts personnel.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **Yes ran thru parts dept. FOD, Parts Mgr and GM establish pricing.**
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) **Monthly avg excess \$ 1200.**

35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise). **Reconciliation is monthly. Typical outstanding orders / invoices cause of variance.**
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). **Reconciliation is monthly. Typical outstanding orders / invoices cause of variance.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve.
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). **Yes. Each employee has duties, responsibilities and accountability.**
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. Reviewed more than 2 years ago. Not part of payplan. Will review moving forward annually.**
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? **Records are kept by manufacturer, DMS and our corporate office.**
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. Training performed annually.**
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? **Require more hardware and equipment, however highly functioning team with current equipment. Flow chart and itemized list kept and reviewed 2 times a year by our corporate office (asset confirmation).**
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? **Parts Manager and assistant place orders. Parts Manager is the only one to**

make changes. Changes less than 5%. Typically adjustments due to price or high demand not caught by auto phase in or out.

44. Is the trend of those changes in question #42 a positive or negative trend? I believe question 43. Mostly would be adding parts to stock order.
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? Less than .5%
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? Stored with parts manager and FOD. Utilized to monitor inventory and aged parts. Now using to monitor and track lost sales, emergency purchased. Inventory value and OBS tracking.
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? Will utilize scorecard immediately. Learned area of opportunity on scorecard factors. Specific : parts with no cost or part numbers.
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) immediately as identified.
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) Bin counts performed weekly. On a rotation. Will begin to count 50 most numbers twice a week.
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 – exception report viewed daily.
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? Yes.
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? They have been, but not consistently. We are aggressively addressing and tracking currently and moving forward.
53. Who reviews the Lost Sales? When are they reviewed? Parts Manager and assistant. Reviewed as logged and then historic sales reviewed same day.
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)? it is set to phase in. typical emergency purchase due to excess demand daily. Minimal emergency purchase due to

Manufacture part will call, 3 orders a day. Can pick parts up 2 times a day and warehouse less than 4 miles away. 😊

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? **We are on a 3/9. Due to warehouse and liberal order and delivery convenience from manufacturer.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **We do not have a vendor managed inventory – this question is not clear or understood.**
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. All parts, solvents, misc and bulk items.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Verbal procedures. Parts manager and personnel responsible.**
59. Who files damage claims on parts shipments received? **Parts Manager or assistance. Mostly 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? Stock parts employee receives and scans stock order. **Original order is cross checked. Discrepancies and provided to parts manager. He researches the error or discrepancy and works with factory to correct. Emails also provided to FOD to and from Manufacturer as well.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes – monthly and physical annually.**
62. Who applies and loads the monthly price updates? **Manufacturer.**
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)? **Tracked and adjusted by parts Manager.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **Annually physical has been excess parts vs accounting. Money taken into profit following month after inventory.**

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? Currently are not separated. However parts manager now creating a source to identify and move asap.
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 and FOD
68. Do the Parts, Service and Body Shop Managers along with the Office Manager/Controller together follow up on all Work in Process (WIP) tickets and verify that they are closed out in a timely manner? Yes and notes must be provided at month end.
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? Yes. He has access with essential financials on our corporate performance page.
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? 30.1 days. One month. Due to ability to order 2x daily for will call / pick up.
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? 11.5 turns
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. NO. limited on space – dealer location and facility setup.
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 manager have. Also provided electronic from our corporate on our corporate employee site.
74. Is your Parts Department locked up each night? Who has keys? Yes – only parts personnel. Not even the gm has a key - lol
75. Do your Counter-people have a cash drawer? Who balances the drawer? Yes. They must balance daily.

76. Is there a policy in place for overages for the cash drawer/balancing? **Yes**
– cash sales reports daily from corporate. And handled as aggressive as shortages.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **We have minimal and inoperative. In process of remodel – to include surveillance.**
78. What one thing can Hendrick as an organization do to help you do your job better? **Huh ? Lithia provides amazing support. Communication prior to process or policy changes with clear information.**