

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. These three files must be submitted to your class Dropbox site together. Reach out if you have questions.**
- 4. There is a Post Parts Class Threaded Discussion that will be activated exactly two (2) weeks after your classroom session ends. It is due the Monday before your Service Class starts. 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? **We use Ford's MSRP suggested price and do not review our prices often.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Dealers in the area also charge Ford's suggested price as far as we know.**
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. **The closest dealer is 12 miles away and they price with the same policy as us which is Ford MSRP.**
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. **Yes we sell parts at 20% under MSRP for standard wholesale, we sell retail at Ford's MSRP, Service department (Internal) is charged Ford's MSRP, and employee's pay 10% over 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? **Our parts counterperson can change the price because we have a team of two employees that need to have privileges. For example when the Parts Manager is out the counterperson needs to have full authority to assist. What about Service Advisors? Service Advisors cannot change the price of parts.**
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 when the Parts Manager writes the PO, the difference in the cost is only reflected in accounting. Any price changes for parts bought from a vendor (FAD) are reflected in a specific account for accounting purposes. When we purchase from an FAD we get 10% off.**
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 all parts are entered at factory 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? **The part is receipted at factory price and the difference is reflected in a flush account separately.**
9. Do you have an Internet presence for your parts department? **We have a landing page on our main site with a contact form, hours and phone number. No prices or ordering software at this time.**
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 have none. However, we offer free delivery to local independent shops and we brought some of them pizza earlier in the year.**
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? **We have no outside salesperson and we do not have any accounts large enough where we need an 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? **Yes, we do. We have different amounts every month. We do our best to use all the money we are allotted. We have a computer system with Ford that tells us. It is very antiquated and does not provide us with reporting. We can only check the number in real time, so I am unable to go back and see what we spent**

- for the year. We would have to sell more parts to get Ford to share expenses. The more Ford parts we sell the more factory return dollars we receive.
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? We have a site that can be accessed by phone however it was not built directly for smartphones.
 14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? We check the periodically but not as much as we should. Ford updates them as a part of our site.
 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? Pay plans are not reviewed. We have never compared them to expenses before. The current sales levels are sufficient.
 16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? No they do not. They are a stand-alone profit center. However the majority of their sales are from the Service Department RO's.
 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 do not have a program set up. If a customer is interested in buying accessories then they are allowed to go to the parts department and order things from the counter. We probably are leaving additional profits. In the accessories department we are mostly order takers.
 18. Do you review wholesale customers weekly to see if parts sales dollars per customer and returns justify the expense of conducting business with them? For example, delivery 30 miles out of town to a customer ordering \$300 a month of parts at Cost+20% may not justify the delivery service. We do not track all of that data with our wholesale customers like we should. The majority of our deliveries are not to other dealers and they do not happen very often.
 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 haven't studied our market area very much. We probably do not have the means to deliver that often or unseat them.
 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?) **The parts manager verifies. We try to update them but should do better about making sure they are updated every two years.**
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 have never discussed an expense report for the Parts Department. We should probably start doing that.**
 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 the customer makes payment without exceeding the account limits? **We base it off of the reputation of the business in the local area. We are in a smaller town. Our office manager stays on top of accounts receivables that are not paid back on time and keeps us notified. We discuss it in the Managers meetings on Tuesdays.**
 23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **No it is not. They get an over view once a year at the forecast meeting.**
 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 customer authorizes it then the service advisor highlights the part and stamps the RO then gives it back to the technician. Then the technician gives it to the Parts Manager who orders it and staples a receipt on the hard copy of the RO. Then when the part comes in the Parts Manager gives the service advisor a pink slip, which tells them that the part is here, and ready for installation. The Parts manager checks the Special-Order bin once a month to make sure parts are not being stored there and becoming obsolescence.**
 25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **We require 100% prepayment for special order parts that are not already in stock. We use digression for SOP that are in stock but expensive to decide if they should prepay or not.**
 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? **We go back and check the bin and stay on top of the parts at varying intervals. No there is not return charge.**
 27. Who are the parties that are involved in the SOP process start to finish? **The Service Advisor, customer, parts manager and technician.**

28. Are special order forms completed in a legible manner so that the customer information can be read? **They are written on a small slip of paper that has multiple carbon copies. Sometimes they can be hard to read.**
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 special-order parts bin, which is front and center. The Service Advisor notifies the customer if the part is in. The Service Advisor should notify the Parts Manager if the customer is not coming in to get the part installed or if they are having trouble. The Parts Manager should also follow up on this if he sees a part in the Special-Order bin for too long.**
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 placed in a separate section. Parts that are prepaid and have never been collected are in a separate bin next to the Special-Order bin.**
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? **The Service Manager can buy unlimited amounts of equipment. The Office Manager watches it and monitors it.**
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) **No just the Parts Manager has purchasing authority.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **The parts manager establishes internal parts pricing. The Parts Manager or parts counterperson handles them all.**
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 usually exceeds by some. We only do a yearly reconciliation. I wish we did one monthly.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **Great point. We will have to look.**
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) **It does alert us if it is off. Our accounting office handles errors.**

37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **Okay.**
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)
There is not a written chart but it is understood that the Parts Manager covers certain functions and the counter person covers certain functions.
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? **There is no training program and we do have a yearly review with each employee.**
40. Are records kept of the training for each person and when did someone last take online DMS refresher training? Parts Catalog training? OE/Manufacturer specific training? **We do not keep records of training and should do a better job of it.**
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? **They have never had any formal training. The Office Manager who previously worked in Parts has done all of their training.**
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 am not sure how much hardware we have. We are a small parts department. I think our three computers are sufficient for our volume of business.**
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? **The replenishment/daily order is actually done manually. It does exceed 10%. The Parts Manager does the daily order unless he is out for the day.**
44. Is the trend of those changes in question #42 a positive or negative trend? **We do not track our business in that way.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **We have no way of tracking that information.**
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? **The Parts Manager does not do any daily reporting. He knows how to print reports when needed but does not have a ritual associated with it.**
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? **No it is not. We should better utilize it. Yes there are areas and we should also reach out to the DMS to track lost sales going further.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Each time our Parts Manager does a bin count he adjusts the inventory to make it more accurate.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Yes they have been recently checked.**
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 our Parts Manager reviews all the daily transactions.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes and they have looked at the quiz.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **No and we should be doing it.**
53. Who reviews the Lost Sales? When are they reviewed? **No one reviews the lost sales because we do not track them.**
54. Are emergency ordered part numbers reviewed to see if they qualify to be phased in? Is the Test/Non Stock/Watch feature of the computer system utilized to test which parts to stock (Phase In)? **Yes there is a system that notifies our manager when to phase in those emergency purchases.**
55. What demand history does it take to place a part on the inventory stock order or in inventory? Time limit and quantity are generally managed by Vendor Managed Inventory systems? **The Parts Manager does it manually.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **The Parts Manager is not sure what the question is asking.**
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)? **Every part sold should be 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? **Yes all procedure is verbal/written and our Parts Manager is responsible for it.**
59. Who files damage claims on parts shipments received? **Our Parts Manager files those claims.**
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? **The Parts Manager receives all of our parts in each morning around 7:45 AM. Yes they check it with what they ordered the day before. We contact Ford and try to resolve the issue if we have discrepancies.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes we do inventory annually around the first of the year.**
62. Who applies and loads the monthly price updates? **The Parts Manager does this.**
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 it once a year on the financial statement and monthly in the DMS system.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **It was close to not adjusting. Between being over on a few parts and under on a few we came out at a breakeven for the most part.**
65. Are all obsolete parts that are on the inventory physically in the store? **Yes they are all in the store.**
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 that is something we should start doing.**
67. Who verifies the completion of the repair orders between the first and second month they are reported in the work-in-process status? **The service manager does this.**
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 we go over them in our Manager's Meeting every Tuesday morning.**

69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **No he only sees that information once a year at the sales forecast meeting.**
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? **Our parts department month's supply is 1.3, and yes it matches. No we are under guide of 1.5.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **We sold \$129, 945 of parts in the month of February. This is comparable to the calculations in the template.**
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 I believe our inventory is large enough to meet business requirements.**
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? **Our policy/procedural manuals are held in the Chief Financial Office's office. The dealer principal handles the review with the Parts Manager and depending on the timing the Service Director may be involved too. Every employee should be given a copy of it when they start at the dealership.**
74. Is your Parts Department locked up each night? Who has keys? **Yes, it is locked up each night by the parts counterperson. The counterperson and the Parts Manager are the only two with keys to the Parts Department.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes, our counterperson has a cash drawer. He shares it with the Parts Manager. They have a shared responsibility to balance it each day.**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes, if they have an error then they have to fix it with the office manager. The office manager is supposed to keep them accountable.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **We do not have security cameras in the parts department.**
78. What one thing can your organization do to help you do your job better? **Give the Parts Manager a salary increase.**