

## **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? **Once-per-year, around inventory time (this year 04/14/18).**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Our pricing is competitive for Wholesale and Retail when compared to local metro NY dealers.**
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. **We appear to be average priced for an item like brake pads when comparing to 4-5 local competitors. We have lowered the price of brake pads recently.**
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 have more than one pricing guide for various customers. We have pricing matrix on standard repair parts and separate parts structure on maintenance parts.**
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? **Counter people have access and manager reviews exception report daily. Service Advisors do not have access. They are provided specific op codes for discounts for monthly specials.**

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. Parts are received at factory cost. We use + / - inventory adjustment account.**
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? **Invoices are sent to main office with account numbers to credit.**
9. Do you have an internet presence for your parts department? **This is a work-in-progress. We are looking into OE Connection website. This is part of my post class threaded discussion action plan.**
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 monthly specials through our website, emails, Service area posters. Varies month-to-month.**
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? **Co-op dollars available from MB. There will be an approximate \$2,000 spend for a P+S Clinic April 21<sup>st</sup>, 2018. MB guidelines and programs vary throughout the year.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Please refer to Question # 9.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **This is reviewed the first week of every month after the marketing team has updated the information.**

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? **Reviews are completed annually. Pay plans are tied to departmental gross profit. We are reviewing our overall GP, since it is less than guide of 38%. This is mostly attributed to Internal pricing, especially Service Policy.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? No. **We have a dedicated Wholesale Counterman.**
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 a boutique in the Service area and a display in the second floor showroom for Sales. We also have accessories on several vehicles in the Showroom.**
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. **Wholesale clients are reviewed monthly. We focus on the 10% of our best GP clients, but will go outside of our AOI when feasible.**
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? **Our other MB dealership in White Plains controls the market, due to longevity and service. That store does \$400k per month in Wholesale.**
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 Assistant Parts Manager performs the verifications and our Office Manager audits the Certificates annually.**
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. **Pay plan is on adjusted GP, so management has to monitor policy, personnel expense, and advertising.**
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? **We**

**currently have 4 clients with a line of credit, based on longevity and spend. Ownership is only authorizing party. Controller reviews receivables with Parts Director.**

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **View is available daily, but not discussed enough.**
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'S must be paid in advance or pre-billed on R.O. Management authorizes overnight orders. This policy is not written or posted.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Counter retail YES, Service R.O. NO.**
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? **45 days. Return charge is based on customer loyalty.**
27. Who are the parties that are involved in the SOP process start to finish? **Technician, Shop Foreman, Parts Specialist, Advisor, BDC, management, Dispatcher, back to Tech and then Advisor.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **All from DMS, so electronic.**
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? **SOR shelf. BDC and Parts management.**
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? **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 Director generates, controls, and processes P.O.'s. Any fixed assets purchases are reviewed together.**
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) **Assistant Parts Manager also has purchasing authority. GM and Controller review Parts management activities.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?  
**Ownership and 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)  
**Month-to-month it is typically 1-2% either way.**
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) **Yes. This could indicating missing invoices and / or errors in receipting.**
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. **We do not use LIFO, as per our CFO.**
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. Ordering by management, receipting by inventory personnel, posting and adjustments by Parts Director only, bin count by inventory personnel, returns and core returns by inventory personnel, boutique and retail counter is split and tech counter.**
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? **MBUSA has a quarterly certification program that is reviewed weekly by management. This is part of annual review, but not pay plan.**
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? **MBUSA and HR tracks employee training and certifications. DMS and manufacturer training (live) typically occur quarterly.**

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 formal financial management training. Last management training was 2016.**
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? **We are currently at an appropriate level of equipment and software for our staff. IT manager is on-site.**
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? **Does not exceed 10%. Only management makes changes, based on business conditions. This is reviewed daily. Stock order adjustments are sometimes necessary based on MB objectives.**
44. Is the trend of those changes in question #42 a positive or negative trend? **N/A**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **80% stock, 1% outside purchases.**
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? **Parts Director's office and CDK archiving. Reviewed monthly for Lost Sales, stock order %'s, fill rates, factory returns, etc.**
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? **Yes. The scorecard is in MB's Paragon system and is reviewed daily. All areas found, no issues that require assistance.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Bin checks are completed daily and errors reported to accounting for b-monthly adjustments.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **Yes.**
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 and only Parts Director makes adjustments. Also reviews exception report to confirm.**

51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes. Answers varied. Interesting!**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes. All Parts Advisors can log a Lost Sale.**
53. Who reviews the Lost Sales? When are they reviewed? **Parts Director reviews monthly.**
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)? **We are under our OEM system, Stock Pro. Yes.**
55. What demand history does it take to place a part on the inventory stock order or in inventory? Time limit and quantity are generally managed by Vendor Managed Inventory systems? **3 / 12. True.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **We are 80% stock and compliance is 75%.**
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. Yes, some cleaning solvents and tools for the Shop.**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **We follow operations guidelines, as per MBUSA. We also attend yearly haz mat classes.**
59. Who files damage claims on parts shipments received? **Inventory Specialist.**
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? **Inventory Specialist receipts with scanner. Yes. Inventory Specialist creates claims with OEM.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes.**
62. Who applies and loads the monthly price updates? **Done by MBUSA / CDK automatically.**
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)? **Yes. Parts Director.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **Physical inventory was up slightly over accounting inventory. Adjustments handled by corporate accountants.**
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? **Not separated. No separate source. 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? **Service Director.**
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. Reviewed monthly.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Parts Director reviews DOC daily in CDK and Axxessa.**
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? **48 days. Yes. Inventory level is good.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **6-7 turns. 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. **No. We are currently local storage units.**
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? **Every employee signs for an employee handbook at time of hire and keeps his/ her own copy.**
74. Is your Parts Department locked up each night? Who has keys? **Yes. Management.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **No, only the Cashier.**

76. Is there a policy in place for overages for the cash drawer/balancing? **N/A**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes. Management has access. IT Manager is also on-site.**
78. What one thing can your organization do to help you do your job better? **More effective and efficient Service department.-**