

## 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](mailto: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? **source pricing levels are reviewed quarterly on entire inventory and monthly checks are done on fast moving parts**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Price shopping with other dealers and independent shops are done on a monthly basis**
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.
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. **There are pricing guidelines in place for retail customers, employee and wholesale. Parts manager determines discount on wholesale customers**
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? **Parts manager runs daily reports to check price changing to verify change was approved. Service advisors do not have access to change parts pricing.**
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)) **parts manager runs daily cost override reports**

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? **All factory parts are sold with OE cost to maintain 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? **Discount purchase invoices are coded to reflect cost savings to be applied in accounting**
9. Do you have an internet presence for your parts department? **Yes**
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? **Glass displays and a parts boutique with multiple types of merchandise. Average 34% to 40% profit**
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? **parts does not have an outside salesman. Parts professionals call on customers weekly and get out to visit in person monthly**
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? **Parts receives \$3000.00 dollars per year from Toyotas star elite program to be used for dealer dealership merchandise for advertising. Parts uses all \$3000.00 per year and this amount is the max from toyota**
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? **parts internet coupons are checked and updated monthly with 6 new specials.**
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 reviewed quartley by parts manager. departmental gross profit and personnel expense are compared monthly by parts manager. sales and profit are sufficient for parts employee pay and parts payroll is 3 to 5% under budget monthly**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Parts is active trying to increase**

wholesale business, and parts counter retail in many ways. Stay in touch with all our customers, going out and visiting wholesale accounts

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? **parts will preload vehicles with accessories to be put on showroom floor or sales pad for customers to see. Parts also has accessories displayed in parts boutique. Parts has an accessory pricing in sales department and parts for quick and easy pricing for customers**
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 customers are reviewed monthly purchases, discount provided and there return %**
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? **parts looks at their wholesale opportunity on a monthly basis. There are 3 major players in their area that's hard to compete with due to inventory value, parts personal and equipment and the discount given.**
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?) **parts manager verifies all applications for wholesale accounts. Parts manager and accounting work together keeping tax id records up to date**
21. Discuss monthly expense control with the parts manager and identify specific areas under the manager's control. If expenses are allocated and not charged on a controlled basis, consider basing pay programs on sales or gross rather than net profit as part of the plan.
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? **Office manager determines credit approval following reference checks by accounts payable. Parts manager is responsible to follow up on receivables list to keep customers current in their payments**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **monthly**
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?

Special orders for service must be ordered on an RO from service. All retail counter and wholesale orders are ordered on a parts invoice. This policy is reviewed quarterly and is approved by the parts manager.

25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? Retail parts counter is only area where some parts are required to be prepaid 100%.
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? Special order parts are held for 30 days before being put in return bin for buy back. There is a 15% restocking fee for returned parts from customers
27. Who are the parties that are involved in the SOP process start to finish? Service advisor, technician, parts professional and bdc call center
28. Are special order forms completed in a legible manner so that the customer information can be read? all order forms are computer generated with all customer information, service advisor and parts professional
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? All special orders are located in bins specific for special orders only by customer last name. bdc call center notifies customers and schedules appointments. Parts manager determines when to send parts back, and follows up on sop
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? sop parts have their own bins
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 over sees the po system. General manager and fixed ops parts director are only people above parts manager who may purchase without parts managers approval
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)

33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes?  
**Ownership established internal parts pricing. All internal purchases are run through the parts department for control purposes**
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)
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)
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)
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 training programs are controlled by the parts manager. training is reviewed monthly for any new classes, tests or new programs or policies put in place. It is part of the yearly review and 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? **training records are kept by parts manager in an employee file. Training is done monthly as needed by all employees**
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? **parts manager has only had Toyota management training courses**
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?

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? **Stock order adjustments is 2 to 3% on fast moving parts. Parts manager makes these changes**
44. Is the trend of those changes in question #42 a positive or negative trend? **positive**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **stock order % is 97%**
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 management reports are printed in parts managers office and looked at daily . Reports are used to track multiples areas of parts for use**
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?
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **daily**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **on a daily 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? **yes**
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? **Lost sales are posted every day. All parts professionals can log a lost sale**
53. Who reviews the Lost Sales? When are they reviewed? **parts manager reviews lost sales daily**
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**
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? **all mechanical parts demand is 3 hits in 12 months. Body parts such as sheet metal and bumper are 6 hits in 12 months**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO?
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**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Shipping and receiving procedures are written and verbal and the parts manager is responsible for updating these policies**
59. Who files damage claims on parts shipments received? **Parts manager**
60. Who receives parts orders, and how are they received? Is the original stock order transmitted to the factory cross-checked? What do you do about discrepancies? **Parts freight is received by warehouse personal and checked in by scanner. Stock order report is double checked with packing list. If there is any discrepancies the parts manager is informed so he can start working on the issue**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Parts department is counted once a month by parts employees and once yearly by an inventory company**
62. Who applies and loads the monthly price updates? **IT department applies the price updates and parts manager loads it**
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)? **Parts manager track these items daily and monthly**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the 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? **These parts are put into return bin until they can be returned to manufacture**

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, parts and office managers**
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**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **yes**
70. What is the months' supply of the inventory? Does this match the students calculations found in their FS Parts Excel template? Are too many parts stocked in the inventory based on this calculation? **current months supply is 1**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel 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**
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?
74. Is your Parts Department locked up each night? Who has keys? **Yes, parts professionals and general manager**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes, drawer is balanced nightly by parts professional who closes**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes, all overages are to be turned in daily to office manager**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **no**
78. What one thing can Hendrick as an organization do to help you do your job better?