

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?

About every two years.

2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area.

We do not use pricing matrix and only sell off manufacturer list, which keeps us 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.

We recently priced batteries with our after market vendor and found that we are very 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.

Wholesale pricing is set depending on how much a shop buys, returns and how payments on account are kept. Retail and Service pricing is matched to keep customers from being quoted different prices. Employees receive cost +10% for their own personal vehicles.

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?

We do not have controls for counter people other than Exception reports. Service Advisors cannot see parts cost nor can they adjust 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))

No, we do not have a process for that.

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, they are costed at factory price. Any purchase discounts get applied to other accounts and applied to Gross.

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 purchase discounts are tracked by monitoring the accounts the discounts are posted to.

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?

We have a wholesale

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 do have an outside sales rep. Sales are very high for our wholesale department.

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?

No we do not

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

Yes, our website is mobile friendly.

14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated?
I run coupons for three months at a time. I usually only monitor it at the beginning of each month to make sure pricing hasn't changed.

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?

Last comparison made was a year ago

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

We try and get as many outside mechanical shops that we can efficiently service.

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?

Outside of communication between sales and the parts department, we do not currently have a program in place. We are working on an accessory book to help promote accessory sales.

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 accounts are monitored every two months. If return rate is high or slow pay accounts the shops will be notified and the matter is discussed.

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?

Yes, hard to compete with their deep discounts. So, in turn we do our best to provide better service in hopes to recapture or gain customers. We do deliver 2-3 depending on distance.

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?)

We don't monitor them as well as we should. We did get updated resale cards two years ago, but it needs to be redone and done 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.

The part manager get pay from departmental so he need to control expenses

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?

The business office determines credit approvals. The controller and parts manager review all accounts over 30 days weekly.

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

It is reviewed monthly and given to manager.

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?

Parts are ordered and held for 60 days. If applicable, part will be returned to the manufacturer. It is not written or posted. It was set up by parts mgr and reviewed with the service dept.

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

All retail purchases must be paid in full prior to ordering. RO's are paid after the repairs are done in service. Wholesale customers pay for the parts when they are delivered.

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?

Because we only have a 90 day window for returns, parts are pulled off s/o shelf at 60 days. We do not have return charge for customers.

27. Who are the parties that are involved in the SOP process start to finish?
The counterman and technician order the parts. Every 30 days the s/o shelf is cleaned by the lead counterman.

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

We do not use forms. Reports are ran twice a week and reviewed with service bdc

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?

Those parts are stored in a room where they are organized by name or R/O #. The BDC contacts customers. If customer does not respond within 60 days part is returned to manufacturer. No follow up.

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 kept in a "special order" room.

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 mgr runs a po report showing what is opened and to make sure all vendor bills are being turned in. Anything over \$500 needs to be approved by mgr.

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)

Yes, parts counterman can make outside purchases, but anything over \$500 for R/O's and retail supplies need to be approved. Department supplies have to be approved by Manager.

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

Internal pricing was set by the GM. Internal purchases are not all run through parts dept like it should be.

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 will exceeded

35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise)

We are not short in parts

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)

No is not we do not take the appreciation until end of the year

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 used LIFO as part of inventory value

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)

All day to day duties are shared among counter men. Each employee has his own set of bins to count. The manager oversees the day to day functions to make sure systems are working smoothly.

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?

We do not have a current plan in place, but we have started by building job descriptions. Reviews will follow soon.

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 track of by HR.

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?

Manager has not taken any financial or management training classes.

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 adding more equipment because increase on 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?

Yes It does exceed 10%, manager made adjustments and it is change daily

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

Positive because we are taking on more business

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

Factory is 12.6% and Emergency purchases is 1.6% base on March, 2018 report

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?

We print a report on a monthly basis

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?

We started using the DMS scorecard in March 2018

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

It is monitored daily. Bin counts are done monthly and log sheets are placed for discrepancies.

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?

All transactions are made by Manager only. All adjustments must be submitted to Manager and he verifies transactions are verified.

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

Yes, all parts employees have taken the quiz. Actual Lost Sale definition was explained to all employees.

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

Lost sales are being tracked but could be tracked better. All employees can post lost sales.

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

Parts Manager reviews lost Sales and they are reviewed once a week.

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 they are, we started in March 2018

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?

Demand history is 2/8.

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

We do not have a Vendor Managed 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)?

Yes, all factory parts are sold from the inventory. We do stock some shop supplies but those are charged to the service department.

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

All procedures are verbal. Parts manager should review monthly, need to work on that.

59. Who files damage claims on parts shipments received?

They are done by Manager or Inventory Clerk

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?

Warehouse clerk receipts the order each morning by using a scan gun. Once he scans the part it is immediately put into the inventory. A variance report is run every morning and Parts mgr makes claim with the manufacturer.

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

Perpetual inventory is done monthly. All discrepancies are researched prior to adjusting.

62. Who applies and loads the monthly price updates?

Parts Manager does the updates each month.

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)?

Monthly price adjustments are tracked by the parts manager and is reconciled monthly with the controller.

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

There was a large positive adjustment made to parts inventory, because office offset oil inventory and deducted it from parts inventory.

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

All obsolete parts are stored in the parts department.

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?

They are placed into a source just for non-returnable obsolescence.

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

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. They are reviewed weekly

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

Parts Manager has access to the DOC and reviews it daily

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?

We have one month supply

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

1.6 % as March 2018 report

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?

We do not have a policy and procedure manuals in our part department

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

Parts Department is locked up each night and verified by security. Only Parts employees have keys to the parts department.

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

Parts does not have a cash drawer in our department. That is handled by the Cashiers

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

All overages/shortages are reviewed by the office the following day. Any adjustments are reviewed by the office and parts mgr.

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

There are two cameras in the parts dept, but we are in need of more. Only the manager and IT dept have access to them.

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

Keep more work in-house. Build up internal business by selling more accessories and allowing the parts dept to be more competitive with the outside vendors.