

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? **Every three to six months**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **Ranked 3 of 5**
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. **That's how the ranking was determined**
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, margins are determined by benchmark and survey**
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? **Service Advisors cannot change pricing, counter people are instructed not to discount and to get mngr approval. Exception report is reviewed by Parts Manager.**
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 – Acct 679004 is the inventory adj acct**
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? **This has not been an issue but the same process in question six would be used. There is also a rebate acct that is used.**
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? **Parts are entered at actual cost if purchased directly from manufacturer**

9. Do you have an internet presence for your parts department? **Limited – drop menu on our website**
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? **Running 15% discount on our website for accessories. In March we had a \$1000 GP (36%).**
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 don’t have an outside parts salesman. Our focus is not on wholesale (mainly due to limited storage).**
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? **None available**
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? **Yes – once a month**
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? **Plans are reviewed annually. The Porsche benchmark is \$40k in gross per month per employee- we are at \$50k for March.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Other than accessories our Parts dept is there to supply our 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? **Yes – we have a display in the showroom but it can cause problems with customers who think they should get something for free because they bought a car.**
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. **No – not our focus**

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? **No – our owner has made the decision not to pursue WS**
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?) **A/P**
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. **Controllable expenses are very minimal – vending machines are used for small items.**
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? **A/R puts cr limits on accts – all parts are paid for when delivered**
23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **Not currently – can be requested by the Parts 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? **Must be prepaid – policy is not posted. Parts and Service Director initiated the policy.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **Customer & Service must prepay – WS**
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? **Prepaid are held indefinitely**
27. Who are the parties that are involved in the SOP process start to finish? **Counter Sales personnel, BDC and Service Advisors**
28. Are special order forms completed in a legible manner so that the customer information can be read? **Computer printed form**
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? There is a designated area, Service advisor will notify customer. SOP are prepaid and not sent back.

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? Designated area – not considered inventory as they are prepaid and sold.
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 is not aware of a stated policy – Accounting monitors
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) Upper Management – accounting approves prior to purchase.
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? Ownership established same price for all policy – everything is to be run thru Parts
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) FS is \$42,727 (17%) higher than Parts Mgmt record.
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) No missing parts – in the past there was no reconciliation. so the error was brought forward. Balancing adjustment will be made by accounting and we should be good moving forward.
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) N/A
37. If LIFO is used, when inventory value is used to calculate days' supply, etc., the actual value should include the LIFO reserve. Yes
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) Because of the small number of employees in our Part Dept the Parts Mgr cross trains staff in all duties.

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 Mgr uses the Porsche training model. There are new required units every quarter. There is an annual review and there is a penalty for not completing the Porsche training.
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? There is a record kept for the OEM and Parts catalogue training – not aware of DMS refresher training.
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. Parts Mgr attended MB inventory management class in June 2017.
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? Our IT dept reviewed and updated our systems within the last year. We may need an extra counter employee which will necessitate additional hardware.
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? Less than 10%. Mgr or the senior Porsche counter employee conduct the manual adjustments. sports car seasonality is the primary reason. Changed yesterday by Parts Mgr
44. Is the trend of those changes in question #42 a positive or negative trend? Positive – growing business
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? Less than 5% emergency 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? Not printed – stored in DSDA. End of month reconciliations, lost sale, fast/slow moving parts.

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 – we track trends using DMS. Not in touch w/DMS rep**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Quantity is updated in real time – value is updated monthly**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **This exercise is done monthly**
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? **Yes – all counter employees can log a LS**
53. Who reviews the Lost Sales? When are they reviewed? **Parts Mgr - 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 for both**
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? **Two demands (lost sale or sale) within six months**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **100% (ASR)**
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. there is also a small area for shop supplies that don't fit in the vending machines**
58. Are the procedures for shipping and receiving written or all verbal? Who's responsible for reviewing and updating these policies and procedures? **Verbal – Parts Mgr is responsible**
59. Who files damage claims on parts shipments received? **Parts Mgr**

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? Shipping/Receiving receives and cross-checks w/factory stock order. A claim would be filled w/Porsche for any discrepancies.
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? Yes – multiple times a year is the goal
62. Who applies and loads the monthly price updates? IT dept or Parts Mgr
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 – adjustments are made in real time
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? Last adj was in Oct 2016 (FS was understated by \$20k) – currently FS is OVER stated by \$40k
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? No – tracked thru DMS
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 Mgr and Warranty Administrator
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)? Information can be found in DMS
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? Excel template MS is 1.52 in DMS
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? Excel template true turn is 6.2
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. as we are below benchmark (61% vs 70% BM)

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? **Kept in file cabinet in Part Mgr office – anyone can access**
74. Is your Parts Department locked up each night? Who has keys? **Yes – Parts Mgr, counter employees, shipping clerk and Service Mgr**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes – closing counter employee balances**
76. Is there a policy in place for overages for the cash drawer/balancing? **Yes – any overage is given to the Accounting Dept**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **Yes – IT Dept controls access**
78. What one thing can your organization do to help you do your job better? **More training, manpower or both**