

## **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? **Quarterly**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **We are in-line with pricing within our area.**
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 perform market surveys to check our competitors pricing. This is part of our process.**
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. **The computer automatically sets the customer up at matrix pricing. Once we determine if it is a retail customer or wholesale customer, our counter person makes the necessary changes. The service department does not have access to change parts pricing.**
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? **Yes, we have controls setup in**

CDK to alert us if pricing is below a certain percentage. Our counter people have a certain amount of discount they can give. Service advisors do not have access.

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, only the managers have access to process inventory and adjustments must be preapproved. The system is setup to calculate appreciation and depreciation.**
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 at costed at the same factory price.**
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? **We have reports setup to give us gross profit by source.**
9. Do you have an internet presence for your parts department? **We are able to be contacted through our website, [www.jmlexus.com](http://www.jmlexus.com). We also have an ebay store with WHI.**
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? **Our marketing department posts pictures of various items from the parts department on Instagram, Facebook and our JM Lexus website. We will be able to track with our new marketing strategy.**
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 a part-time wholesale associate that visits various shops for about 5 hours per day to try and gain business. It has been effective.**
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? **Our website is mobile phone compatible.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **We check our online parts coupon on a monthly basis. We update when necessary.**
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? **We review pay-plans monthly. Yes, it is providing a sufficient profit.**
16. Does the parts department actually seek additional revenue or “live off” the sales of the service department only? If not why not? **Yes, through our wholesale department.**
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 have an accessories display located in the sales department. We also have an accessory display located in our parts boutique area.**
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 review how far our deliveries extend. Our general area is within a 20-mile radius. If there is a small amount of parts that a customer needs outside of our area, we can ship.**
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 do study our marketed area. We have access to lookup new shops within a 10-mile radius. We know Pembroke Pines is a competitor in our area. We believe we sell more than them in our area. Our drivers will deliver about 3-4 times per day. We also have additional associates who can make deliveries. This is all within a 20 mile radius.**
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 wholesale counter associates can verify if they are a true wholesale company. We update our tax-IDs every year.**
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 pay is based off gross.**
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 sourcing is done through our accounting department. The approval is done by our Parts Director, Fixed Ops Director and GM. The Parts Manager follows up on the receivable list.**

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **The financial statement is given to our Parts Director and is discussed with the parts managers 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? **Reviewed and approved by the Parts Director**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **The retail department takes payment in full upfront on parts sold. Wholesale collects payment upon delivery.**
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? **The set time to retain parts is 30 days. The parts are added to a location after they have been in stock for 30 days. We charge a 25% restocking fee.**
27. Who are the parties that are involved in the SOP process start to finish? **Our warehouse, from start to finish.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **Yes, every special order form is visible for our guests. It gives them the information which was ordered for their vehicle.**
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 of our SOPs are located in our SOP room. The warehouse associate first adds the guest to our SOP list located in the Google Drive. They will then send an SOP card to our guests and our reservationists group. The reservationist will also call the guest to setup an appointment. If there is no response from our guest after 30 day, we return the part to our stock.**
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? **Our SOPs are stored in a separate section of our parts 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? **It is controlled by the Parts Manager. The PO requires a Repair Order and it must be approved by the Parts Manager.**

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) **The parts specialist has the authority to make outside purchases from other vendors. Yes, the parts manager oversees all purchase invoices.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? **The parts director controls internal parts pricing.**
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 balances on a monthly basis.**
35. If the accounting inventory value is higher than the parts computer, look for the parts inventory missing items (uncontrolled inventory). (Monthly Reconciliation Exercise) **The reconciliation is done on a monthly basis.**
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) **Posting error-inventory is reconciled monthly.**
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**
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 to all the above.**
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? **The parts managers control the training programs.**
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? **Yes, this year to all the above.**
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? **Yes, last year.**
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? **The equipment meets the daily needs and no additional hardware is needed.**
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? **Rarely is an adjustment needed. It is well below 10%. The Parts manager makes the stock replenishment changes. It was last change the first quarter by the parts manager.**
44. Is the trend of those changes in question #42 a positive or negative trend? **It is a positive trend.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **We carry 90% from our factory and 10% from outside sources.**
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? **They are printed in the parts director's office. The report is utilized for tracking trends.**
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 DMS summary is used to track inventory trends. We will incorporate the DMS Scorecard beginning in June. Yes, Dirty Core. Marci from CDK.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **Our parts inventory is adjusted daily for errors.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **This is performed daily.**
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, the transactions are reviewed each day by a Parts manager for any adjustments.**
51. Have you given the Lost Sale Quiz to the parts Manager and Counter-people? Others in the dealership? **Yes, the parts manager and counter-associates all took the lost sale quiz.**

52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **Yes, lost sales are being tracked and all counter associates, wholesale, parts manager and parts director.**
53. Who reviews the Lost Sales? When are they reviewed? **The parts director reviews lost sales 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)? **Yes, to everything above. This is all utilized for phasing in parts.**
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? **2 demand within 6 months. This is managed by our vendor managed inventory system.**
56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **We don't have any 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 parts are sold from our parts inventory. Yes, we stock shop supplies and bulk fluids which aren't 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? **We have written procedures for shipping and receiving. The parts managers and director are responsible for updating and reviewing these policies.**
59. Who files damage claims on parts shipments received? **The parts manager files claims on any damaged part we receive.**
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 warehouse associates on the first floor receive all parts orders and are then received and scanned with a scan gun which is uploaded to CDK. Yes, the original stock order is transmitted to the factory. We make corrections to any discrepancies.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **Yes, both are performed in conjunction with each other.**

62. Who applies and loads the monthly price updates? **The system is automatically setup to upload daily.**
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 cost adjustments are tracked by the parts director.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? **\$3500 positive.**
65. Are all obsolete parts that are on the inventory physically in the store? **Yes, all obsolete parts are physically 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? **Yes, we use A for the obsolete parts bin.**
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 parts 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, they follow up on this monthly.**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **Yes, this is sent by accounting. Additionally, it is on the fast lane for CDK.**
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 currently have 1.3 month supply of parts inventory. It does match the calculations. We don't currently have too many parts in stock.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **The true turn of the inventory is 1.8 and it does match the calculations.**
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, we have plenty of space to stock the necessary inventory.**
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? The policy and procedures are in the parts department. The parts director verifies them.
74. Is your Parts Department locked up each night? Who has keys? Yes, the parts department is locked up each night and management has the keys.
75. Do your Counter-people have a cash drawer? Who balances the drawer? The counter associates have a cash drawer and it is balanced night by the associate closing.
76. Is there a policy in place for overages for the cash drawer/balancing? Yes, all overages are to be turned into accounting.
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? Yes, we have cameras and the parts director has access to them.
78. What one thing can your organization do to help you do your job better? Provide additional training for the entire team.