

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? **It is adjusted monthly by GM.**
2. Compare the pricing policies in the parts department and see how competitive your Dealership is within your area. **We are required to go by the GM pricing update that comes in once a month.**
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 use a pricing matrix tool in addition to the GM pricing which considers market surveys and demand in the area. We are competitive within our market.**
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 a pricing structure for wholesale, retail, and employees.** What is our pricing structure? **Pricing for retail is determined by GM pricing and the matrix. Wholesale is 25% below retail. Employee is 10% above cost.**
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? **Not needed because we only have two people in parts. There is also one service advisor that has access to**

handle for the service department if needed. Service writer knows policy around when he can adjust.

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 department goes in and changes cost depending on how we get the part (emergency purchase) and if it is warranty.**
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? **No**
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? **They are tracked in the 687 account.**
9. Do you have an internet presence for your parts department? **Yes, the Parts department is listed on the main navigation on our website and there is a form to request parts.**
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 small display in the service area of some of the accessories that we have available. We also offer accessories coupons in our service emails and direct mailers. The cost is very low as we include it as part of our existing service marketing efforts.**
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 not have any outside sales people.**
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? **We have co-op money available. We have spent \$2,275 year to date. To have more co-op money we would need to sell more oil. GM gives us \$1 for every quart of oil we sell.**
13. With the growing use of mobile smartphones by customers do you have a mobile ready website? **Yes, our website is fully responsive.**
14. Do you periodically check your online internet Parts coupons? How often are they checked? How often are they updated? **We only have accessories coupons from time to time. The Marketing Director monitors the website and the offers are updated each quarter.**

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? **This review has not been done lately. This is something we need to do. The current sales level supports the pay level of the employees. The department doesn't lose money.**
16. Does the parts department actually seek additional revenue or "live off" the sales of the service department only? If not why not? **Parts doesn't actively seek out new business. They do minimal advertising. This is something we need to look at.**
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 program to sell accessories to customers in the sales department. We are leaving sales on the table though as we could be selling more accessories than we currently do.**
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. **Not applicable to our business, we don't currently do delivery for wholesale customers.**
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 have not done a study of our wholesale market opportunity. There are two Buick/GMC dealerships near us that run huge wholesale businesses. We can provide good customer service to differentiate ourselves, but we can't compete with them in volume or prices.**
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?) **The wholesale customers are reviewed by the Parts Manager. Then our Office Manager reviews the tax-ID and wholesale certificates to keep them updated.**
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. **Our dealer doesn't review expenses with the Parts manager. The Parts manager is paid on sales.**
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? **Our**

dealer reviews credit requests and manages the receivables list to make sure the payment is collected.

23. Is the financial statement for the parts department given to the manager and discussed on a weekly/monthly basis? **No**
24. What are the special parts ordering policies for SOPs? Where is it written and posted? When was it reviewed and what level of management approved it? **The current SOP process is not written. There are no documented policies. This is something we need to work on.**
25. Do you require 100% pre-payment on these parts? Do you differentiate between Counter Retail/Wholesale and Service RO? **We do not currently require 100% pre-payment. It is something we are going to change as part of the new SOP process. We already have buy-in to require pre-payment on counter retail/wholesale, but we still need to get buy-in on the Service RO portion. Our dealer doesn't like the idea of making a service customer pre-pay.**
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? **There is not currently a timeline for returning parts. There is no return charge, and, in most cases, we never return the part, they are still sitting on the shelves.**
27. Who are the parties that are involved in the SOP process start to finish? **The SOP process involves the Parts manager, Parts consultant, Service Director, Service Consultants, Technicians and sometimes even Sales depending on the situation.**
28. Are special order forms completed in a legible manner so that the customer information can be read? **The special order forms are not filled out completely, nor are they legible. The customer is not given a copy, the copies are all for the dealership.**
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? **The special order parts are stored in a specific location at the back of the parts department. (This is also something that needs to change, they need to be located where they are easily visible, to force more follow-up.) If the part was ordered through Service, the Service Consultant is responsible for notifying the customer. If the part was ordered over the Parts counter, the Parts Consultant or Manager is responsible for notifying the customer. The Parts Manager should be the one to follow up and take care of returns, but this is not something he currently does.**

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? **In the inventory system, you can tell it's a SOP based on the bin location SP.**
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? **We are a small dealership, there is not a formal approval process for POs. The Parts Manager and Parts consultant can create POs at any dollar amount.**
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) **Both the Parts manager and Parts consultant can order from outside vendors. The Service director and Office Manager oversee the purchases.**
33. Who established internal parts pricing policies? Are all internal purchases centralized and run through the Parts Department for control purposes? The **Service Director and Dealer established the internal parts pricing policies. Sales sometimes makes purchases through an outside vendor for accessories that are purchased during the sale of a vehicle.**
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) **The value of the parts inventory is higher in the DMS than it is on the financial statement.**
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 DMS value is higher than the financial statement.**
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) **It is not necessarily an abnormal condition. There are a lot of reasons for it, parts received but not invoiced, bulk oil and fluids, credits for parts returned, cores, WIP, NPN parts, parts with no cost record, bin count irregularities, price updates and emergency purchases.**
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 there are specific transactions assigned to each employee.**
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 Service Director controls the training programs. GM also requires certain training to be completed. Training requirements are reviewed quarterly. Yes, there is a yearly review with the employee and it is part of the 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? **Need to do online DMS refresher training, OEM training done 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? **The Parts Manager has not taken a departmental Financial Management class. He completes quarterly GM training.**
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 requirements are evaluated on an ongoing basis to determine we have the right equipment in the right locations to meet the daily needs of the department. We consult with GM to determine our equipment meets their specifications as well.**
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? **Our parts department does not know the percentage that is adjusted. However, they do adjust daily. A lot of the adjustments are due to RIM and to include parts we know we need. The Parts Manager the one who does the adjustment.**
44. Is the trend of those changes in question #42 a positive or negative trend? **There is no formal tracking of the amount of manual adjustments that are being made.**
45. What is the percentage of stock order from the factory versus outside purchase (emergency purchases)? **Emergency purchases are currently not being tracked in DMS.**
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? **The DMS reports are not currently utilized. We need to look at how to better incorporate them into our Parts Manager and Service Director's routines.**

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? **No one in the dealership uses the DMS summary. Prior to us taking this class, no one knew how to pull the report. We need to look at how we will use the DMS Scorecard. There are several fields that we can't fill in and don't yet know how we are going to find them going forward.**
48. How often is your Parts Inventory adjusted for errors in part value or part quantity? (Moments in Time) **The Parts Manager only adjusts for errors when he finds them by chance. This needs to change.**
49. Have the fifty most active parts numbers been checked for parts bin count accuracy? (Moments in Time) **The Parts Manager doesn't currently do any bin counts. He only finds inaccurate counts when he goes to pull a part and can't find it. This also needs to change.**
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? **We have given it to Parts Manager but have not given it to anyone else yet.**
52. Are true lost sales being tracked in your DMS? Who can log a Lost Sale? **The Parts Department is not currently tracking any lost sales. This is something we need to fix.**
53. Who reviews the Lost Sales? When are they reviewed? **Lost sales are not currently being tracked.**
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)? **Emergency parts are not recorded into the DMS. However, the parts manager reviews the daily tickets/orders to see what was an emergency purchase and considers based on his experience if it should be stocked or not. He does not use the computer to phase parts in.**
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? **Multiple sales. We do not have a set number or set time period. RIM also looks at the market area and determines what we should stock.**

56. What is your Compliance % level for your inventory with your Vendor Managed Inventory, RIMPRO? **Our RIM compliance objective is 85% and we were at 95.23% for May 2018.**
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 placed in inventory and then sold out of inventory. We have bulk fluids and shop supplies that aren't in inventory.**
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 only. The Parts Manager and Service Director are responsible for the 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? **The Parts Consultant receives parts by checking in the daily delivery, cross referencing the deliveries to the orders, and adding them to inventory. Customer orders are cross checked. Discrepancies are dealt with by filing a claim with the PDC.**
61. At a minimum, is perpetual inventory verification done in conjunction with a physical inventory on a yearly basis? **There is not currently any inventory verification done. We have not done a physical inventory in a few years. We will be doing on in June 2018.**
62. Who applies and loads the monthly price updates? **Parts Manager**
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)? **Not currently tracked on a consistent basis.**
64. What adjustments were required after the last physical inventory to the dollar value, etc., of the inventory? More in stock than in the books, increased by **\$40,000**
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? **Just in normal inventory and included in regular sales.**

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 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**
69. Is a daily operating report of sales, gross profit etc., being provided to the parts manager for review by him (DOC)? **No**
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? **The Financial Statement months supply is 2.2. The Management Report months supply is 2.6. This means there are too many parts stocked. We should only have a 1.5 months supply.**
71. What is the true turn of the inventory? Does that match the students calculations found in their FS Parts Excel template? **According to our DMS report the true turn is 2.24. The FS Parts Excel template using our DMS inventory value gives us a true turn of 2.1 If we use the FS inventory value it gives us 2.5.**
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, the area is big enough. We would have extra room if we got rid of our obsolete parts.**
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? **Currently updating our policy and procedures manual. HR handles review of the policies and procedures and is available for any questions or concerns.**
74. Is your Parts Department locked up each night? Who has keys? **Yes, it is locked each night. Management and Service Associates have keys.**
75. Do your Counter-people have a cash drawer? Who balances the drawer? **Yes, they have a cash drawer and it is balanced nightly by our office staff.**
76. Is there a policy in place for overages for the cash drawer/balancing? **Overages are kept in the safe labeled for a few months. Then they are put into extra income.**
77. Do you have security cameras in the Parts Department? Who has access to the tapes/CD/backup? **No. We are looking at adding a camera though.**

78. What one thing can your organization do to help you do your job better? **The Parts Manager says he needs more help.**