

Conducting Buy America Pre-Award and Post-Delivery Audits

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New Buy America Handbook Take-Aways

- FAST Act Increase to **Components** and Vehicles
 - Improvements from **2015** “Proposed” Handbook
 - Errors in **Vehicle Worksheet & Component Certificate Template Calculation Methodologies**
 - Proposed **Solutions Compliant** to 49 CFR 661.11
 - Significant new **Proprietary Data challenges** to Auditors, TVMs & Component Suppliers*
 - Roles/Duties for **Auditor vs. Resident Inspector***
- * (time permitting)

FTA **Improvements** in Jan. 17, 2017 Handbook from 2015 “Proposed” Version

FTA striving for improvement & consistency

- Deleted Vehicle **Worksheets conflicting w/** Appendices B & C List of “Typical Components”
- Re-inserted text to protect **Vehicle Builder’s** proprietary data
- Emphasis on Continuous Domestic Content **Monitoring** and **Intermediate audits**

Component “of Domestic Content” Calculation Methodology

Two-Part test for a Component “of U.S. Origin”

49 CFR Part 661.11(g) states “For a component to be *of domestic origin*, more than 60 percent of the *subcomponents* of that component, by cost, must be of domestic origin, and the *manufacture* of the *component* must take place in the United States.

If ... a component is determined to be of domestic origin, its entire cost may be used in calculating the cost of domestic content of an end product.”

Has Component Calculation Methodology changed since 1995 Handbook?

Manufacturing cost is never used when calculating domestic content of a Component

- FTA's **1995 Handbook** correctly states “A *component's manufacturing cost is never used when calculating the domestic content of that component; its domestic content is based on subcomponent cost only.* However, the component's manufacturing cost should be used in the domestic content calculation of the bus, if the component was manufactured in the U.S.

Component Calculation Example

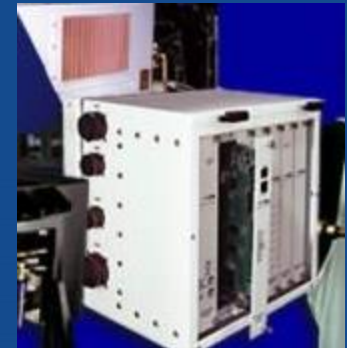
Component
(HVAC)
\$15,000



U.S. Manufacturing
and
>60% U.S. Subcomponents

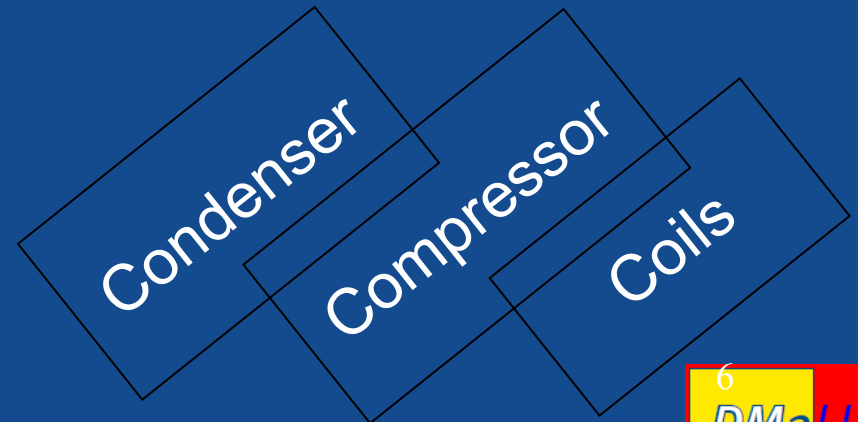
>60% **U.S.**
Subcomponents

\$6,100



\$10,000
Subcomponents
(Materials)

\$5,000
“Manufacturing”
Costs (Labor,
Engineering,
Admin, Overhead,
Profit)



Handbook's **Correct** Component Supplier Calculation Methodology

Section 4.5 Manufacturer Documentation, Step 3, **Page 50**; and

Appendix B.6. *Sample Buy America Certification, Instructions for Completing the Buy America Certificate, **Page 70***

- Calculate the cost of U.S. subcomponents by dividing the cost of **U.S. subcomponents** by the cost of **all subcomponents** for each component.

Handbook's **Incorrect** Component Supplier Calculation Methodology

Section 4.3.1. *Domestic Content Worksheet Instructions, Step 7, Page 43*

- This **(material cost) percentage** is calculated by taking the cost of the **subcomponent** and dividing it by the **total cost of the component**.
- Calculate the total percentage by cost of **U.S. content** by dividing the ***U.S. Subcomponents Subtotal*** into ***Component Total Cost***.

Incorrect: Including Manufacturing Cost in Material Content Calculation Invalidates Compliance

| Component / Subcomponent | Component and Subcomponent Material Costs | | Subcomponent % of Component and Component Total % | |
|--|---|------------------|---|---------------|
| | U.S. | Foreign | U.S. | Foreign |
| Component 1 | | | | |
| Subcomponent 1.1 | \$30,000 | \$0 | 9.9% | 0.0% |
| Subcomponent 1.2 | \$40,000 | \$0 | 13.2% | 0.0% |
| Subcomponent 1.3 | \$40,000 | \$0 | 13.2% | 0.0% |
| Subcomponent 1.4 | \$0 | \$50,000 | 0.0% | 16.5% |
| Subcomponent 1.5 | \$0 | \$40,000 | 0.0% | 13.2% |
| OEM Labor/Overhead/Profit | \$103,000 | \$0 | 34.0% | 0.0% |
| Comp. US & Foreign Costs Subtl | \$213,000 | \$90,000 | 70.30% | 29.70% |
| Comp 1 Total Cost 49 CFR 661.11(m)(2) | \$303,000 | \$0 | 48.48% | 0.00% |
| Vehicle Material Costs - U.S. & Foreign | \$388,000 | \$237,000 | 62.08% | 37.92% |
| Vehicle Material Total Cost (Total Cost o | \$625,000 | | Incorrect Calculation | |

Correct: Manufacturing Cost Always Excluded from Component Material Content Calculation

| Component / Subcomponent | Component and Subcomponent Material Costs | | Subcomponent % of Component and Component Total % | |
|--|---|------------------|---|---------------|
| | U.S. | Foreign | U.S. | Foreign |
| Component 1 | | | | |
| Subcomponent 1.1 | \$30,000 | \$0 | 15.0% | 0.0% |
| Subcomponent 1.2 | \$40,000 | \$0 | 20.0% | 0.0% |
| Subcomponent 1.3 | \$40,000 | \$0 | 20.0% | 0.0% |
| Subcomponent 1.4 | \$0 | \$50,000 | 0.0% | 25.0% |
| Subcomponent 1.5 | \$0 | \$40,000 | 0.0% | 20.0% |
| Comp. US & Foreign Material Costs Subtl | \$110,000 | \$90,000 | 55.00% | 45.00% |
| OEM Labor/Overhead/Profit (Manuf'g) | \$103,000 | \$0 | n/a | n/a |
| Comp. Total Cost 49 CFR 661.11(m)(2) | \$213,000 | \$90,000 | 34.08% | 14.40% |
| Vehicle Material Subtotals - U.S. & Foreign | \$298,000 | \$327,000 | 47.68% | 52.32% |
| Vehicle Material Total Cost | \$625,000 | | Non-Compliance | |

Component **Partial** Domestic Content toward a Vehicle

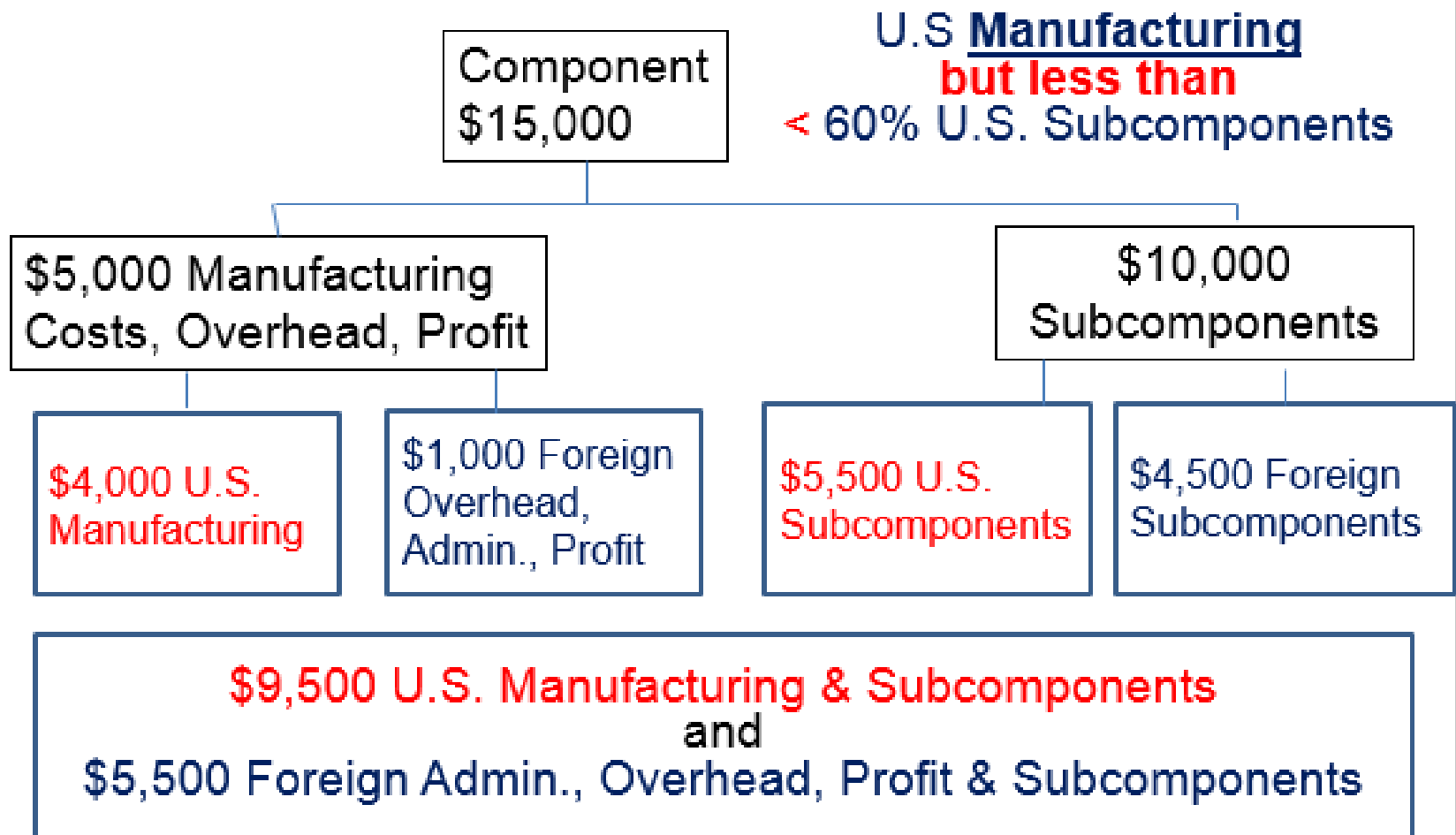
49 CFR Part **661.11(I)** states *“If a component is manufactured in the United States, but contains less than 60% domestic subcomponents, by cost,*

*the cost of the domestic subcomponents **and** the cost of **manufacturing the component** may be included in the calculation of the domestic content of the **end product.**” (i.e., **Vehicle**)*

Component **Partial** Domestic Content toward a Vehicle



Partial Credit: BAA Components



Incorrect: 2nd box doesn't account for Domestic Component Manufacturing Cost

| | | | |
|--|---|--|---|
| <input type="checkbox"/> | <p>Less than the required percentage of the subcomponents, by cost, are of U.S. origin/manufacture, and the component is manufactured in the U.S. (in such case, the cost of U.S. subcomponents * is eligible for inclusion towards domestic content calculations). The Supplier attests that the U.S. content of subcomponents, by cost, is as indicated below. See 49 CFR § 661.11(I).</p> | | |
| <p><i>* "...and the cost of manufacturing the component"</i></p> | <p>MANUFACTURING LOCATION</p> | <p>% DOMESTIC CONTENT</p> | <p>% FOREIGN CONTENT</p> |
| <p>[COMPONENT NAME]</p> | <p>[Location of individual component manufacturer]</p> | <p>[Total domestic content % of all subcomponents]</p> | <p>[Total foreign content % of all subcomponents]</p> |
| <p>[SUBCOMPONENT NAME] (use rows for each subcomponent)</p> | <p>[Location of individual subcomponent manufacturer]</p> | <p>[Total domestic content % of individual subcomponent]</p> | <p>[Total foreign content % of individual subcomponent]</p> |
| | | | |

Solution for Components with **Partial Domestic Content 661.11 (I)**

49 CFR §661.11(I)

This component will be **manufactured in the United States**, but will contain **less than the required percentage of domestic subcomponents**, by cost.

The supplier attests the **combined cost** of the **domestic subcomponents** and the cost of **Component U.S. Manufacturing** will be as indicated below.

| U.S. Subcomponent Name/Description | U.S. Subcomponent supplier Company Name | U.S. Subcomponent supplier manufacturing location (city, state) | Subcomponent % of total cost of all subcomponents (domestic and foreign) |
|------------------------------------|---|---|--|
| | | | |
| | | | |
| | | | |
| | | | |

Total **Domestic Subcomponent %** of **all subcomponents** (domestic and foreign): _____%

Combined cost of Domestic Subcomponents **and** Component U.S. Manufacturing: \$ _____

Conclusion: Where Do We Go from Here?

Recipients, Auditors, Vehicle Builders and Component suppliers must communicate consistent methodology during Buy America audits.

Let's **work together** with FTA to improve and standardize the new handbook as a **valuable supplement** to USDOT Buy America Rules.

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Questions?

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