

**When Best Practices Meet the Handbook
OR How to Make Lemonade**

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KEY PRESENTATION TAKE-AWAYS



FINAL ASSEMBLY

3 KEY ELEMENTS

1. LOCATION

2. ACTIVITIES

3. COST

RECIPIENT MUST CERTIFY VEHICLES MEET FINAL ASSEMBLY REQUIREMENTS AT PRE-AWARD AND AT POST-DELIVERY.

IMPACT of the FAST ACT on FINAL ASSEMBLY



FINAL ASSEMBLY LOCATION

What do the rules say?

§ 661.11 Rolling stock procurements.

(a) The provisions of § 661.5 do not apply to the procurement of buses . . . if the cost of components produced in the United States is more than 60 percent of the cost of all components ***and final assembly takes place in the United States.***

FINAL ASSEMBLY LOCATION

- ❑ Objective: Determine location of final assembly
- ❑ Audit Step: Site visit to US assembly plant
- ❑ Degree of Difficulty: **1**
- ❑ Handbook says: review documentation
- ❑ Conclusion: No Brainer EZ-PZ - **No problem as long as the final assembly site is in the USA.**

FINAL ASSEMBLY ACTIVITIES

What do the rules say?

Appendix D to § 661.11—Minimum Requirements for Final Assembly

In the case of a new bus, final assembly would typically include, at a *minimum*,



FINAL ASSEMBLY ACTIVITIES

- the installation and interconnection of the engine, transmission, axles, cooling & braking systems; heating & air conditioning equipment;
- the installation of pneumatic & electrical systems, door systems, passenger seats, passenger grab rails, destination signs, wheelchair lifts;
- road testing, final inspection, repairs & preparation of the vehicles for delivery.

FINAL ASSEMBLY ACTIVITIES

- ☐ Objective: Document final assembly steps
- ☐ Audit Step: Observe at site visit
- ☐ Audit Tools: Your eyes + a checklist of the FTA minimum activities
- ☐ Degree of Difficulty: 2
- ☐ Handbook says: Review documentation
- ☐ Conclusion: No problem if you observe final assembly activities taking place.

FINAL ASSEMBLY ACTIVITIES

HANDBOOK SAYS:

Review documentation to determine if the final assembly activities in the US meet the requirements of 49 CFR § 661.11 and Appendix D to § 661.11. (required documentation is discussed in Section 2.2.2).
2.2.3, specifically 2.2.3.2.

FINAL ASSEMBLY ACTIVITIES

HANDBOOK SAYS: required documentation

The manufacturer's flow chart(s) or detailed drawing(s) of the production work station,

The manufacturer's work instructions,

The manufacturing plans, and

The assembly drawings (usually kept or posted on a production (shop) floor). Looks like you would need to be on the production floor to see these (**HINT: Think site visit**).

FINAL ASSEMBLY COSTS

What do the rules say?

(p) In accordance with 49 U.S.C. 5323(j), labor costs involved in final assembly shall not be included in calculating component costs.

661.11 says nothing beyond the above when it comes to the cost of final assembly.

Now what are you going to do?

Use an old tool: **AUDITOR'S JUDGEMENT**

FINAL ASSEMBLY COSTS

- ❑ Objective: Determine if the final assembly costs reflect the minimum activities of final assembly
- ❑ Audit Step: Look at the crafts, labor rates and level of effort – direct labor hours involved in final assembly
- ❑ Degree of Difficulty: **10**
- ❑ **Handbook says: Way too much**
- ❑ Conclusion: **Choose wisely**

FINAL ASSEMBLY COSTS

Handbook says on page 17:

Final assembly costs include the proposed **direct labor** associated with the U.S. final assembly production line. For the pre-award audit, costs may be established from the **manufacturer's estimate of hours**, subcontractors' labor quotes, and actual costs from similar projects. **Auditors must collect as much information as needed** to determine whether the final assembly costs reflect the minimum requirements for final assembly as described in Appendix D to 49 CFR § 661.11.

FINAL ASSEMBLY COSTS

Handbook says on page 24:

In order to verify that final assembly activities comply with Buy America requirements, recipients must review documentation provided by the manufacturer that demonstrates

The total cost of final assembly, ***including labor and overhead costs.***



FINAL ASSEMBLY COSTS

Handbook says on page 25:

While reviewing a manufacturer's final assembly documentation, auditors consider the following:

- ☐ Whether the manufacturer has provided sufficient documentation for the cost of final assembly; and

FINAL ASSEMBLY COSTS

Handbook says on page 25:

Whether the manufacturer's *actual total cost for final assembly includes all costs* consistent with the minimum requirements for final assembly contained in Appendix D to 49 CFR 661.11.

THE NOMINEES FOR BEST SUPPORTING DOCUMENTATION FOR ANALYZING THE COST OF FINAL ASSEMBLY ARE:

- ❑ From Page 17: Final assembly costs include the proposed ***direct labor*** associated with the U.S. final assembly production line.
- ❑ From Page 24: The total cost of final assembly, including ***labor and overhead costs***.
- ❑ From Page 25: Actual ***total cost for final assembly includes all costs*** consistent with the minimum requirements.

And the Oscar goes to . . .

Final assembly costs include the
DIRECT LABOR associated with the
U.S. final assembly production line.



FINAL ASSEMBLY COSTS

- Overhead? What is overhead? **INDIRECT...**
- What is included in overhead? **G & A ?**
- Who needs overhead? **NOBODY**
- How does overhead impact Buy America?
IT DOESN'T
- What should I do with overhead? **FUH-GET ABOUT IT**

The Handbook: Take it with a grain of salt

CONDUCTING PRE-AWARD AND POST-DELIVERY AUDITS FOR ROLLING STOCK PROCUREMENTS

*Best practices Handbook for recipients, auditors,
manufacturers, and suppliers*

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