

CONTEXT FOR ANSWERING THE QUESTIONS:

“WHY DO WE HAVE TO DO VE?”
“WHO HAS AUTHORITY OVER VE?”
“...THE CUSTOMER WON'T PAY FOR VE!”



- I. Pub. L. 111-350, §3, Jan. 4, 2011, 124 Stat. 3718
<http://www.gpo.gov/fdsys/pkg/PLAW-111publ350/html/PLAW-111publ350.htm>
41 USC 1711 - Value engineering
<http://ve.ida.org/ve/pages/41-USC-Sec-1711-VE.pdf>

“Each executive agency shall establish and maintain cost-effective procedures and processes for analyzing the functions of a program, project, system, product, item of equipment, building, facility, service, or supply of the agency. The analysis shall be -

- (1) performed by qualified agency or contractor personnel; and*
(2) directed at improving performance, reliability, quality, safety, and life cycle costs.”

- II. Pub. L. 99-662, Water Resources Development Act of 1986, Section 911
www.mrgo.gov/FileDownload.aspx?ProdType=reference&id=512
33 U.S.C. § 2288, Review of cost effectiveness of design
<http://codes.lp.findlaw.com/uscode/33/36/V/2288>
Conference Report 99-1013
<http://finance.senate.gov/library/reports/conference/download/?id=3e0d273c-a307-4748-a3bc-cf344d5aceab>

“During the design of each water resources project which has a total cost of \$10,000,000, which is authorized before, on, or after the date of enactment of this Act and undertaken by the Secretary shall require a review of the cost effectiveness of such design...” The Conference Committee Report states that this review *“is known as Value Engineering”*.

- III. Office of Management and Budget (OMB) Circular A-131 (21 MAY 1993)
http://www.whitehouse.gov/omb/circulars_a131
*2013 Revision under final review (<https://www.federalregister.gov/articles/2012/06/08/2012-13903/value-engineering>)

The Office of Federal Procurement Policy (OFPP) in the President’s Office of Management and Budget is responsible for defining the Value Engineering requirements of 41 USC 432 - Sec. 432. OFPP was established by Congress in 1974 to provide overall direction for government-wide procurement policies, regulations and procedures and to promote economy, efficiency, and effectiveness in acquisition processes. OFPP is headed by an Administrator who is appointed by the President.

Office of Management and Budget (OMB) Circular No. A-131, dated May 21, 1993, is the Federal Directive that *“...requires federal departments and agencies to use Value Engineering (VE) as a management tool...to reduce program and acquisition costs...”* The OMB Circular currently requires VE application on all federal projects/programs over \$1,000,000 total cost.

“Federal agencies shall use VE as a management tool, where appropriate, to ensure realistic budgets, identify and remove nonessential capital and operating costs, and improve and maintain optimum quality of program and acquisition functions. Senior management will establish and maintain VE programs, procedures and processes to provide for the aggressive, systematic development and maintenance of the most effective, efficient, and economical and environmentally-sound arrangements

for conducting the work of agencies, and to provide a sound basis for identifying and reporting accomplishments.”

-LEON PANETTA, Director, OMB

This Circular contains the specific *“Agency Responsibilities...To ensure that systemic VE improvements are achieved, agencies shall, at a minimum:”*

1. Designate a **senior management official** to monitor and coordinate agency VE efforts.
2. Develop criteria and guidelines for both in-house personnel and contractors to identify programs/projects with the most potential to yield savings from the application of VE techniques.
 - a. Measuring the net life-cycle cost savings from value engineering.
 - b. Dollar amount thresholds for projects/programs requiring the application of VE.
 - c. Criteria for granting waivers to the requirement to conduct VE studies.
 - d. Guidance to ensure that the application of VE to construction projects/programs and other projects/programs, will include consideration of environmentally-sound and energy efficient considerations to arrive at environmentally-sound and energy efficient results.
3. Assign responsibility to the **senior management official** to grant waivers of the requirement to conduct VE studies on certain programs and projects.
4. Provide training in VE techniques
5. Ensure that funds necessary for conducting agency VE efforts are included in annual budget requests to OMB.
6. Maintain files on projects/programs/systems/products that meet agency criteria for requiring the use of VE techniques.
7. Adhere to the acquisition requirements of the FAR 48 and 52.
8. Develop annual plans for using VE in the agency.
9. Report annually to OMB on VE activities.

IV. DODI 4245.14, DoD Value Engineering (VE) Program

Implements section 1711 of title 41, United States Code (Reference (b)) and Office of Management and Budget Circular No. A-131 (Reference (c)) by establishing policy, assigning responsibilities, and defining authorities for the effective administration of the DoD VE Program.

*“DoD Components shall implement a VE program to improve military worth or reduce acquisition and ownership costs pursuant to References (b) and (c) wherever it is advantageous. The Component **VE senior management official** or construction agency **VE senior management official** (in the case of construction projects) can decide to not require VE in cases deemed not advantageous (financially, scope or schedule wise) to the Government.”*

The USD(AT&L) shall: *“Establish policy for the DoD VE program and provide guidance on using VE to implement affordability, cost controls, and incentivizing productivity and innovation in accordance with better buying power and designate the qualified **Senior VE Management Official** for the Department”*

The Heads of the DoD Components shall: *“Designate a qualified **senior VE management official**, who will monitor and coordinate DoD Components’ VE efforts in accordance with Reference (c), and establish a VE representative at each subordinate organization engaged in acquisition to include foreign military sales, service, support, construction to include foreign military financing, and operations and support activities...Oversee DoD Component implementation of this Instruction.”*

V. OSD-ATL (Kendall Memo), Value Engineering (VE) and Obtaining Greater Efficiency and Productivity in Defense Spending (06 DEC 2011)

*“The Department's fiscal environment demands that you make every effort to reduce the cost of the products and services we acquire. Please identify a **VE senior manager** for expanding VE activities within your area of responsibility and your VE targets for FY12 by January 15, 2012. I would like to track your progress toward these targets on a quarterly basis.”*

-FRANK KENDALL, Acting Under Secretary of Defense for AT&L

Chief of Engineers response (18 FEB 2012):

“Value engineering is a vital part of how the U.S. Army Corps of Engineers' delivers projects and responds to the needs of our customers and our Nation. Through this disciplined approach we have a powerful and effective tool for identifying innovative solutions to these challenges. To demonstrate our commitment we have integrated value engineering into the core business processes that we use to execute our projects. In FY12, USACE will take steps to strengthen awareness and capabilities within the VE program to ensure the highest levels of efficiency.”

“ the designated qualified Agency "Senior Management Official Responsible for Value Engineering" is assigned to Mr. Jeffery T. Hooghouse, Chief, Office of the Value Engineer (OVE), HQ, U.S. Army Corps of Engineers for assigned mission areas.”

-MG MERDITH W.B. TEMPLE, Acting Commander, USACE

VI. ER 11-1-321 (Change 1), Army Value Engineering (01 JAN 2011)

http://140.194.76.129/publications/eng-regs/er11-1-321/Change_1_Jan2011.pdf

This regulation provides general policy, procedures, and a framework for the execution of the Value Engineering (VE) elements within the Project Management Business Process (PMBP) of the U.S. Army Corps of Engineers (USACE). Value Management (VM) is integrated through the Value Management Plan (REF8023G) from the U.S. Army Corps of Engineers Business Process Manual.

ER 5-1-11, U.S. Army Corps of Engineers (USACE) Business Process states *“The PM's active role as consultant is essential to ensure that the customer's quality objectives are clearly articulated and that the customer understands the essential professional standards, laws, and codes, as well as public trust issues that must be incorporated into the project. In performing these functions, the PMs must operate consistent with their responsibilities as a public servant (federal official).”*

The Chief of Engineers (COE) and Commander, US Army Corps of Engineers designates the qualified Agency **Senior Management Official** Responsible for Value Engineering...*”to the Chief, Office of the Value Engineer (OVE), HQ, U.S. Army Corps of Engineers for COE assigned mission areas to ensure compliance with applicable Public Laws and OMB directives.”*

Thresholds for Waivers:

(1) For Projects/Contracts >\$1 Million, but <\$10 Million; Waiver Authority for this action is delegated by the Chief, OVE, HQUSACE to the MSC VE Program Manager's (VEPgM), who recommends disposition to the MSC/ Engineering Center Commander, for signature.

(2) For Projects/Contracts >\$10 Million; Civil Works projects/contracts are NOT subject to waiver per PL 99-662 (33 U.S.C. § 2288); For Military Programs and others, waiver authority is the Chief, OVE, HQUSACE.

-COL DIONSIOS ANNINOS, Chief of Staff, USACE

* Lower Limit Threshold (LLT) revised to \$2M by Chief, OVE, 13 Feb 2013

<http://www.usace.army.mil/Portals/2/docs/Value%20Engineering/ChOVE-2Mil%20policy%20ltr->

[021313.pdf](#))

- VII. COMMANDER'S INTENT: Greater Efficiency and Productivity through Value Engineering (VE) (25 APR 2012)
(<http://www.usace.army.mil/Portals/2/docs/Value%20Engineering/Chief%20of%20Engineers%20Policy%20Letter%20on%20VE%20FY12.pdf>)

“Value engineering (VE) has been a vital part of how the U.S. Army Corps of Engineers (US ACE) delivers projects and responds to the needs of our customers and our Nation.”

“As the Commander, I am responsible for ensuring USACE maintains a viable VE program, compliant with all statutory and regulatory requirements.”

“In FY11, our reported performance...was short of this [OSD established] goal.”

“Our path forward starts with performance improvement in the awareness, capability, and application of VE.....The VE Annual Plan shows the established goals...These targets should serve as the baseline for our improvement plan.”

“...I believe that with greater command emphasis across US ACE mission areas...we will not only meet established targets, but exceed efficiency expectations.”

-MG MERDITH W.B. TEMPLE, Acting Commander, USACE

- VIII. DCG (Mil/CW) Letter to MSC's: Compliance with Federal Requirements for Value Engineering (VE) (22 MAR 2013)
(<http://www.usace.army.mil/Portals/2/docs/Value%20Engineering/VE%20Compliance%20Policy%20Mar2013b.pdf>)

“...Compliance with VE statutory and regulatory requirements is critical and accomplished through disciplined adherence to our business processes, policies, and procedures. Commanders shall ensure that the required VE studies are budgeted for, scheduled and resourced, or waived...”

“... Project Managers, Value Engineering Officers, Chiefs of Construction and Contracting Officers must ensure the required "VE Certification" is attached to the BCOES Certificate before projects can be advertised...”

-MG MICHAEL J. WALSH, DCG for Civil and Emergency Response
and

-MG KENDALL P. COX, DCG for Military and International Operations