THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY,
AND LOGISTICS

OCT 19 2016

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: FY 2016 Department of Defense Value Engineering Achievement Award Nominations and Annual Report

Value Engineering (VE) plays an integral role in accomplishing the Department's mission to provide the military forces needed to deter war and protect the security of our Nation. Department of Defense Instruction 4245.14, "DoD Value Engineering Program," which implements title 41, U.S.C., section 1711, and Office of Management and Budget (OMB) Circular No. A-131, "Value Engineering," requires DoD Components to provide annual nominations for the DoD Honorary VE Awards Program and submit a summary report of VE efforts covering FY 2016.

The VE Achievement Award recognizes DoD civilian and military organizations, teams, individuals, or programs/projects that have demonstrated exemplary VE accomplishments. Please prepare your VE Achievement Award nominations using the guidance provided in Attachment 1. Each nomination needs to be supported by a fact sheet that details the award selection considerations. Additionally, the VE summary report related to the award nomination must have been submitted to Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics. We look forward to honoring the awardees at a DoD ceremony on July 18, 2017.

In addition to soliciting nominations, prepare your FY 2016 Annual VE Report using the format provided in Attachment 2 and the DoD Inspector General Issue Resolution Agreement guidance in Attachment 3. For additional guidance, consult OMB Circular No. A-131.

Thank you for soliciting and promoting the submission of nominations to honor those who have executed superior VE efforts. Please have your VE Senior Management Official submit your nominations no later than January 30, 2017, and summary report no later than December 15, 2016, to the Office of the Deputy Assistant Secretary of Defense for Systems Engineering, 3040 Defense Pentagon, Room 3C160, Washington, DC 20301. My point of contact is Mr. Andrew Monje at 703-692-0841 or andrew.n.monje.civ@mail.mil.

Frank Kendall

Attachments:
As stated

DISTRIBUTION:
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CHIEF OF ENGINEERS AND COMMANDER, U.S. ARMY CORPS OF ENGINEERS

Department of Defense Value Engineering Achievement Awards General Guidance

Contents

Department of Defense Value Engineering Achievement Awards

Purpose

The Department of Defense (DoD) Value Engineering (VE) Achievement awards are intended to stimulate VE activity for the purpose of achieving essential functions throughout DoD at the lowest life-cycle cost, consistent with required levels of performance, reliability, quality, and safety.

Applicability

DoD VE Achievement awards apply to all DoD Components.

Policy

The DoD VE Achievement Awards program is designed to honor those individuals and organizations who made a significant VE contribution within the last fiscal year. There are the five award categories: (1) Program/Project; (2) Individual; (3) Team; (4) Organization; and (5) Special.

Criteria

VE performance metrics related to the award nomination must have been reported to the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) in accordance with the FY 2016 Annual VE Performance Metrics Report. Except for the special category, prior fiscal year VE efforts are not eligible for nomination.

Procedure

Award selection considerations include net savings; savings as a percent of the affected budget; product, process, or service improvement; VE savings/improvements related to mission of an organization; VE program growth; leadership; innovation; scope of potential applicability; uniqueness of idea; cross-functional and/or inter-agency teaming; integration with other improvement initiatives/activities; and new VE activity. In-house VE nominations must demonstrate/document the use of the VE principles or methodology consistent with the "Department of Defense Inspector General Issue Resolution Agreement: Defining VE for Reporting Purposes," at Appendix A.

A. Annually, each DoD Component may submit one nomination for each of the first four categories and up to three nominations for the special category. Except for the special category, each VE effort uniquely identified by number/title may be used to support only one nomination. All nominations will be submitted to the USD(AT&L) POC via the Component VE senior management official. Each nomination must have met the appropriate criteria described in this document. Each nomination will be supported by a fact sheet. A brief citation will be drafted from the fact sheet by the appropriate DoD Component VE senior management official upon selection for inclusion in the award certificate. The DoD Component Score Sheet is for internal use purposes only to assist the Component VE POC during the awards selection process.

B. The award nominations will be reviewed by the DoD VE Management Advisory Group (MAG). The VE MAG will present their recommendations to the Deputy

Assistant Secretary of Defense for Systems Engineering for concurrence. Upon concurrence, the award recommendations will be forwarded to the USD(AT&L) to approve and announce the winners.

Department of Defense Value Engineering Achievement Awards

Award Nomination Categories

Categories listed below are intended to be flexible, and almost any nomination could be placed in any one of the categories depending on the accomplishment to be recognized. Competition for the categories below is within each Service/Agency. Nominations should be written using the fact sheet formats provided with this package; example award submissions are located after the fact sheet formats.

1. Program/Project

This category is military or civilian personnel who have generated VE savings on a specific construction project, system, item, or family of items, and have made a noteworthy contribution to the application/implementation of VE to areas under their cognizance.

2. Individual

An individual military or civilian who:

a. is a member of a DoD organization in the areas of engineering, logistics/supply support, testing, budget management, planning, etc., and/or
b. is a member of a Value Engineering Program Office, Integrated Product Team, Contract Administration Office, etc., and has made a noteworthy contribution to the implementation/application of VE to areas under his/her cognizance.

3. Team

Teams of military or civilian personnel who:

a. are members of a DoD organization in the areas of engineering, logistics/supply support, testing, budget management, planning, etc., and/or
b. are members of a Value Engineering Program Office, Integrated Product Team, Contract Administration Office, etc., and have made a noteworthy contribution to the implementation/application of VE to areas under their cognizance.

4. Organization

This category is a military or civilian activity with a distinct title that has made a noteworthy contribution to the application/implementation of VE to areas under their cognizance. Examples of Organization are:

F-18 Program Office
U.S. Army Aviation and Missile Command
DLA Value Management Office

5. Special

These special awards recognize outstanding contributions to the VE Program that demonstrate innovative approaches and applications and/or expand the benefits of VE. VE contributions worthy of this special recognition may be drawn from those actions during the last five fiscal years.

Department of Defense Value Engineering Achievement Awards

Award Nomination Fact Sheet Format

Submitting Activity:
Year:
Category:
Nominee:

- Name
- Title
- Location (for field commands and installations)
- Mailing Address (include a complete mailing address)
- Telephone Number

Reference: (questions about nomination)

- Name
- Title
- Telephone Number

Description of Achievement:

- Savings/Cost Avoidances—Identify net six-year savings (current fiscal year's actual savings and five subsequent years projected savings); savings as percentage of reporting activity budget; and return on VE investment. How were savings validated? Are there documented case files?
- Mission of organization (place where VE savings were generated) and how savings or other improvements contributed to fulfilling this mission.
- Product/Process/Service Improvement—Description may include but is not limited to: customer satisfaction; quality; performance; reliability; maintainability; operation and support savings; effectiveness; efficiency; and/or cycle time reduction.
- VE Program Management—Description may include but is not limited to: leadership; program growth; new activity; institutionalization of VE application/methodology; scope of potential application; innovation; proactivity; cross-functional or inter-agency teaming; and/or integration/support of other improvement initiatives/activities.
- Summary of Significant VEPs/VECPs.
- Succinctly (no more than one page for each) describe up to three VEPs/VECPs associated with the nominee. Include identifying number, title, description, net cost savings/avoidances to DoD, and other benefits.

Department of Defense Value Engineering Achievement Awards

Special Award Fact Sheet Format

Description of VEP or VECP

- Descriptive Title
- Identifying Number
- DoD Sponsor Organization

Nominee Name

- Title
- Organization
- Telephone Number
- Mailing Address (include a complete mailing address)

Reference: (questions about nomination)

- Name
- Title
- Telephone Number

Dates of Approval and Implementation

Before and After Description

- Savings/Cost Avoidances—net savings to DoD; cost of development, testing, implementation, etc.
- Benefits other than Cost Reduction—improving: product, process, service, performance, reliability, maintainability, operability, effectiveness, efficiency, cycle time reduction, environmental protection/conservation/restoration, energy conservation, safety, etc.
- Unique/Unusual Application—software, environmental problems, organization, process, service, etc.
- Unique/Unusual Approach—innovation; proactivity; cross-functional or inter-agency teaming; integration/support of other improvement initiatives/activities, etc.

Department of Defense Value Engineering Achievement Awards

Example Fact Sheet: Program/Project

Submitting Activity: U.S. Navy

FISCAL YEAR:

Category: Program/Project

Nominee: STANDARD Missile Program Office, PMS422

Name and Rank of Program Manger
Program Manager, STANDARD Missile
STANDARD Missile Program Management Office
Program Executive Office for Theater Surface Combatants
2531 Jefferson Davis Highway
Arlington, VA 22242-5165
Telephone: DSN_____ or Commercial _____

Reference: (questions about nomination)

Mr./Ms. _____
Value Engineering Project Engineer
Telephone: DSN_____ or Commercial _____

Description of Achievement:

Savings/Cost Avoidances

- The STANDARD Missile Program Office achieved net six-year savings of $93 million from VEPs and VECPs.
- FY XX VE Savings as a percent of the STANDARD Missile Program Budget were 1 percent.
- Value Engineering Change Proposals (VECPs) savings were validated through the contract modification/settlement process.
- Value Engineering Proposals (VEPs) savings were validated by appropriate budget officials with saved funds made available for reapplication.
- Known Return on Investment for VECPs was 5.6:1.
- All VE actions have been properly documented and are on file in the VE office.

Product/Process/Service Improvement

- Value Engineering Process Improvement IPT was started resulting in a 45 percent reduction in VE processing time and a 63 percent increase in VE submittals.
- Value Engineering was expanded beyond prime contractors to subcontractors and suppliers.

- Non-traditional VEs were encouraged, resulting in process improvement VEs, overhead reductions VEs, and business innovation VEs.

VE Program Management

- The STANDARD Missile Program Office established a joint Government/contractor Value Engineering Integrated Products Team (VEIPT) to increase VE participation across contractor product lines. This VEIPT will provide synergies from various programs and increase savings to the DoD.
- Program office personnel collaborated with field sites, prime, and subcontractors to identify and pursue VE opportunities.
- This program office incorporated Value Engineering clauses into seven active STANDARD Missile contracts.

Summary of Significant VEPs/VECPs

XYZ Company, Anytown, USA VECP A001
Transceiver Producibility

Prior to VE: Transceiver design required 11 testable levels.

Following VE: Redesign of transceiver used a higher scale integration to reduce the number of testable levels to seven. Savings to the Government are $24.0 million.

Status: Implemented

XYZ Company, Anytown, USA VECP R001
Control System Redesign

Prior to VE: The Control System for STANDARD Missile variants contained unique parts that increased unit costs and complicated production activities.

Following VE: These assemblies were redesigned for higher scale integration, parts commonality and producibility. The result of these efforts will save the Government $55.3 million.

Status: Implemented

Department of Defense Value Engineering Achievement Awards

Example Fact Sheet: Individual or Team

Submitting Activity: U.S. Air Force

FISCAL YEAR:

Category: Individual or Team

Nominee: (Individual) Name and Rank of the Individual
Program Manager, Air Force Mission Support System (AFMSS) Production
U.S. Air Force Materiel Command, Electronic Systems Center
1234 Tiger Road
Hanscom AFB, MA 01731-1625
Telephone: DSN 478-11xx, ext. 50xx or Commercial (781) 271-xxxx

OR

(Team) Air Force Mission Support (AFMSS Program)

Individual's Name	Title	Location

Reference: (questions about nomination)

Lieutenant Colonel _____
Program Manager, Wing/Unit C2 Systems
Telephone: DSN_____ or Commercial _____

Description of Achievement:

Savings/Cost Avoidances

- ESC/XXX reported net six-year savings of $7.5 million.
- VE savings were 8.73 percent of reporting activity procurement budget.
- VECP savings are validated through actual contract modifications and future documentation. VEP savings are documented by verifying that saved funds are available for reapplication and that programmed funds are no longer required for original purpose.
- Documented files are available in the ESC/ACU office.

Department of Defense Value Engineering Achievement Awards

Product/Process/Service Improvement

- Dynamic business and innovation management instituted by Lt _____.

- Combined Total System Performance Responsibility (TSPR), F-XX contract, with Mission Planning System (MPS) procurement saved the F-XX program office $600,000. Customer satisfaction was greatly increased. Without this action, the program office would not have been able to purchase mission essential hardware.

- Worked extensively with contractor, _____, to optimize their manufacturing process and inventory control as well as modify the Air Force MPS upgrade plan that realized a 33 percent reduction in production-to-delivery cycle time.

- MPSs experienced a remarkable performance increase of at least 70 percent in all benchmark tests due to meticulous efforts by Major _____ to "right size" technical specifications.

VE Program Management

- Major _____ spearheaded effort to reengineer AFMSS procurement strategy based on value-added activities by specifically focusing on commercial competition, synergistic Government-Vendor relationships, and providing state-of-the-art technology to the Warfighter at a reduced cost. Consequently, this has become the new AFMSS procurement methodology.

- Major _____ thought outside the box, linked multiple fiscal year requirements into one MPS hardware chassis, and created the upgrade plan that reduced cost, guaranteed success, and garnered HQ ACC praise.

- He sponsored multiple cross-functional and inter-agency teaming and teleconferences with ACC, OO-ALC, CTF, AFOTEC, and contractors to ensure value-added practices were shared and implemented.

- Major _____ innovative leadership, which focuses on a value-added approach, creates success in any program he is involved with.

Summary of Significant VEPs/VECPs

For up to three VEPs/VECPs identified by number/title, in-house organization, provide a before VE and after VE paragraph succinctly describing the change and its benefits.

See Example for Value Engineering Program/Project

Department of Defense Value Engineering Achievement Awards

Example Fact Sheet: Organization

Submitting Activity: U.S. Army

FISCAL YEAR:

Category: Organization

Nominee: U.S. Army Aviation and Missile Command

Name of the Commander or Director
Commander
U.S. Army Aviation and Missile Command
1234 Caissons street
Redstone Arsenal, AL 35898-5000
Telephone: (DSN) _____ or Commercial _____

Reference: (questions about nomination)

Mr./Mrs. _____
Program Manager, Value Engineering
Telephone: (DSN) _____ or Commercial _____

Description of Achievement:

Savings/Cost Avoidances

- The U.S. Army Missile and Aviation Command (AMCOM) achieved net six-year savings of $198.3 million.

- Value Engineering Change Proposals (VECPs) savings were validated through the contract modification/settlement process.

- Value Engineering Proposal (VEPs) savings were validated by appropriate budget officials, with deobligated funds made available for reapplication and programmed funds deleted as no longer required for their original purpose.

- The information relating to savings as percent of reporting activity budget, and the return on the VE investment is as follows:
  _____.

- All VE actions have been properly documented and are on file in the VE office.

Product/Process/Service Improvement

Department of Defense Value Engineering Achievement Awards

- 69 VEPs were implemented during Fiscal Year _____.
- 25 VECPs were implemented during Fiscal Year _____.
- VECP average processing time was 160 days well under 220-day target.

VE Program Management

- MACOM utilized an aggressive goal setting policy.
- Despite a reduction in Total Obligation Authority, AMCOM's goal was increased by 16 percent to $60 million, $18 million higher than any other AMC major subordinate command
- MACOM VE personnel collaborated with the U.S. Army Simulation, Training and Instrumentation Command, the U.S. Army Communications-Electronics Command, the U.S. Army Armament, Munitions and Chemical Command, and the U.S. Army Tank-Automotive Command to identify and pursue VE opportunities.
- 300 AMCOM employees were trained in various aspects of VE.

Summary of Significant VEPs/VECPS

For up to three VEPs/VECPs identified by number/title, in-house organization, provide a before VE and after VE paragraph succinctly describing the change and its benefits.

See Example for Value Engineering Program/Project

Department of Defense Value Engineering Achievement Awards

DoD Component Score Sheet (for internal organization use)

Service: _____
Category: _____
Nominee: _____
SCORE
Public Relations/Promotional Value (0-10) ..... _____
Savings/Cost Avoidance (0-30) ..... _____

- Net six-year Savings (current fiscal year's actual savings and five subsequent years projected savings)
- Percentage of Reporting Activity Budget
- Return on VE investment

Product/Process/Service Improvement (0-30) ..... _____

- Savings/improvement contribution to organization's mission
- Quality/Customer Satisfaction
- Performance
- Reliability
- Maintainability
- Effectiveness
- Efficiency
- Cycle Time

VE Program Management (0-30)..... _____

- Leadership
- Program Growth
- New Activity
- Institutionalization of Application/Methodology
- Scope of Potential Applicability
- Innovation
- Proactivity
- Cross-functional or Inter-agency Teaming
- Integration/Support of Other Improvement Initiatives/Activities

TOTAL SCORE (0-100) ..... _____

Evaluator: _____

Department of Defense Value Engineering Achievement Awards

APPENDIX A

DoDIG Issue Resolution Agreement:
Defining Value Engineering for Reporting Purposes

Background

The DoD Value Engineering (VE) Quality Management Board (QMB) was tasked with developing guidance that differentiates the application of VE techniques and the reporting of VE savings from other cost reduction initiatives. Other initiatives include such efforts as the Navy's AEGIS Affordability Management Program, directed feasibility studies, logistics engineering change proposals, suggestions, and VE savings realized by foreign military sales customers. Additional examples of other initiatives include recent acquisition reform programs, as well as efforts from other cost-reduction initiatives. These include the DoD Spare Parts Breakout Program and other activities normally expected in the performance of functions such as inventory management and purchasing.

The DoD Inspector General's Office agreed to work with the QMB to develop this guidance in a consensus-building format.

Agreement was reached to clarify guidance in the following areas:

a. VE definition for accounting purposes
b. Savings and cost scope and calculation
c. Savings and cost documentation
d. VE Integration with or differentiation from other programs

The QMB DoD Inspector General (IG) Issue Resolution Working Group reached consensus in the above four areas:

A. VE Definition (Criteria) for Accounting (Reporting) Purposes

The results of value improving activities may be included in annual VE reporting if one of the following two criteria applies:

1. Results from an approved VE Change Proposal (VECP)

   -or-

2. Results from a change that improves value of required function (where value is a function of performance and cost) using function analysis to determine best value (an example worksheet showing the minimum elements of function analysis is included at the end).

B. Savings and Cost Scope and Calculation

Savings

All cost savings and cost avoidances that are included will be net savings to the Government. It is allowable to report savings up to six years consistent with budget projections in the Future Years Defense Program (FYDP) that is current at the time the value–improving project is implemented. Savings may be reported in the years they occur during the FYDP period or as an estimate projected against the FYDP budget profile. Life cycle savings may be reported up to ten years.

VECPs. For acquisition savings, report the Government's share during the VECP sharing period; thereafter, until the end of the FYDP period, 100 percent of the net savings may be reported. For collateral savings (life cycle savings other than acquisition), Government share of average annual collateral savings for the FYDP period may be reported.

VEPs (value-improving projects other than VECPs). For acquisition savings, 100 percent of the net savings for the FYDP period may be reported. For collateral savings (life cycle savings other than acquisition), 100 percent of average annual collateral savings for the FYDP period may be reported.

Cost

On a project–by–project basis, development and implementation costs are those costs above normal Government administrative costs that result directly from developing and implementing each individual value-improving project, such as any net increases in the cost of testing, operations, maintenance, and logistics support. The term does not include the normal administrative costs of processing the value improving project or the costs of running the VE office. The annual report will sum project–by–project costs and add the annual cost of running the VE office (work force and other required resources) for a total VE program cost.

Return on Investment (ROI)

ROI equals total net VE savings to the Government divided by total VE program costs (savings and cost as defined above).

C. Savings and Cost Documentation

To be included in the performance metrics data, each value–improving project must be documented and include the following minimum essential documentation elements:

1. Unique project number or identifier

2. Identification of development and implementation costs to the Government above normal administrative costs consistent with the Federal Acquisition Regulation. Government costs are those agency costs that result directly from developing and implementing the value-improving project, such as any net increases in the cost of testing, operations, maintenance, and logistics support. The term does not include the normal administrative costs of processing the value–improving project.

3. Description of gross and net savings to the Government: acquisition and/or collateral (life cycle cost other than acquisition)

4. Description of technical changes

5. Validation of savings (either through actual documented savings or documented estimate of future savings and/or cost avoidances using established financial analysis procedures - approval and date)

6. Approval of technical change and date

7. Identification of who did the study or analysis or submitted idea

8. Program approval and date

9. Identification of items to which VE proposal applies

10. Date project initiated or proposal submitted for approval

11. Cost and savings figures for each of the years identified

12. Date of construction/etc.—include customized instructions on completing form (applies to construction projects only)

13. Indication of the above VE criteria met (if not VECP, must document minimum elements of function analysis)

D. VE Integration With or Differentiation from Other Programs

DoD Components are encouraged to integrate VE with other similar programs. To be reported, projects must meet the minimum criteria and documentation requirements listed above. Savings reported through multiple channels are allowed.

Function Analysis/Best Value Alternative Worksheet (Example 1)

(For reporting purposes, the minimum elements necessary to constitute function analysis required for other than VECPs are: project identification; function definition; alternative(s) identification; and alternative selection.)

Project Identifier:

Example 1. Finnigen Pin Sparing.

Function Definition (Use Verb-Noun Descriptor):

Example 1. Obtain Finnigen Pins.

Function Performance Alternatives:

Example 1.
a. Purchase from OEM.
b. Find alternate source.
c. Reverse Engineer for Competition.

Selected Alternative:

Example 1. Use alternate source. (Other suppliers; lower cost)

Function Analysis/Best Value Alternative Worksheet (Example 2)

(For reporting purposes, the minimum elements necessary to constitute function analysis required for other than VECPs are: project identification, function definition, alternative(s) identification, and alternative selection.)

Project Identifier:

Example 2. Mark I Mod O Disposable Coffee Receptacle.

Function Definition (Use Verb-Noun Descriptor):

Example 2. Hold Coffee.

Function Performance Alternatives:

Example 2.
a. Paper cups.
b. Styrofoam cups.

Selected Alternative:

Example 2. Paper Cups. (Biodegradable, no disposal cost)

Function Analysis/Best Value Alternative Worksheet (Example 3)

(For reporting purposes, the minimum elements necessary to constitute function analysis required for other than VECPs are: project identification, function definition, alternative(s) identification, and alternative selection.)

Project Identifier:

Example 3. Flag/Senior Management Liquid Containment Vessel.

Function Definition (Use Verb-Noun Descriptor):

Example 3. Impress Associates.

Function Performance Alternatives:

Example 3. a. Gold Leaf embossed ceramic.
b. Cut Waterford crystal.

Selected Alternative:

Example 3. Gold Leaf Embossed (Stars do not show well on Crystal)

Component Fiscal Year 2016 Annual VE Report

PART I

Senior Management Official Responsible for VE Program:

Name:

Title:

Address:

Phone: Fax: Email:

Component VE Expenditures ($'s Invested in VE this fiscal year):	$
Number of Value Engineering Change Proposals (VECP) Submitted:	
Number of VECPs approved:	
Number of VECPs disapproved or withdrawn:	
Dollar Share of Savings Provided to Contractors (VECP)	$
Dollar Threshold for VE for New Projects, Existing Projects, Major Acquistions if different than $5M:	$
Number of Major Acquisitions which use VE	
Number of Major Acquisitions which were granted a waiver:	
Number of VE Studies performed:	
Return on Investment (annual implemented savings divided by cost):	
Total Fiscal Year VE Savings ($'s)	$

TOTAL AGENCY NET LIFE-CYCLE COST SAVINGS ATTRIBUTABLE TO VE

A. A summary of cost savings and avoidances reported by category (See B. below):

	VE Expenditures		Cost Savings		Cost Avoidance		Total Savings
	1 In-House	2 Contracted	1 In-House	2 Contracted	1 In-House	2 Contracted	
	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0

B. Total Agency VE Net Life-Cycle Cost Savings by Category:

VE Studies

Acquisition

Administrative

Other (be specific)

C. Steps Taken to Validate the Reported Cost Savings (through IG Audit or other measures)

D. Methodology used to calculate the savings, e.g., savings accepted at the conclusion of the VE study or at the time of manufacturing or construction:

PART II

List the top five VE projects by name. Describe any quality or other non-quanitifiable improvements resulting from VE.

Project Title	VE Expenditures		Cost Savings		Cost Avoidance	
	In-House	Contracted	In-House	Contracted	In-House	Contracted
VE Studies						
Project No. 1						
Project No. 2						
Project No. 3						
Project No. 4						
Project No. 5						

Description of Qualityof other Non-quantifiable Improvements, e.g. environmental, security, or schedule improvements

Project Title	Quality/Non-quantifiable Improvement
Project No. 1	
Project No. 2	
Project No. 3	
Project No. 4	
Project No. 5	

Notes:

In-House	Realized by in-house DoD staff using VE.
Contracted	Realized by contracting for the performance of a VE study or by a VECP submitted by a contractor.
VE Studies	Funded studies by the government, e.g., construction and administrative studies.
Acquisition	Savings in acquisition cost is evidenced by a change in contract price.
Administrative	Savings in the operations of the agency. These should also be reported in the VE Studies category.
Other	Set forth categories for which you have gathered other specific information, e.g. IT, E-commerce, Power, etc.

ATTACHMENT 2

DoD Inspector General Issue Resolution Agreement:
Defining Value Engineering for Reporting Purposes

Background:

The DoD Value Engineering (VE) Quality Management Board (QMB) was tasked with developing guidance that differentiates the application of VE techniques and the reporting of VE savings from other cost reduction initiatives. Other initiatives include such efforts as the Navy's AEGIS Affordability Management Program, directed feasibility studies, logistics engineering change proposals, suggestions, and VE savings realized by foreign military sales customers. Additional examples of other initiatives include recent acquisition reform programs, as well as efforts from other cost-reduction initiatives. These include the DoD Spare Parts Breakout Program and other activities normally expected in the performance of functions such as inventory management and purchasing.

The DoD Inspector General (IG)'s Office agreed to work with the QMB to develop this guidance in a consensus-building format.

Agreement was reached to clarify guidance in the following areas:

a. VE definition for accounting purposes
b. Savings and cost scope and calculation
c. Savings and cost documentation
d. VE Integration with or differentiation from other programs

The QMB DoD IG Issue Resolution Working Group reached consensus as follows in the above four areas:

A. VE Definition (Criteria) for Accounting (Reporting) Purposes

The results of value-improving activities may be included in annual VE reporting if one of the following two criteria applies:

1. Results from an approved VE Change Proposal (VECP)

   -or-

2. Results from a change that improves value of required function (where value is a function of performance and cost) using function analysis to determine best value (an example worksheet showing the minimum elements of function analysis is included below).

B. Savings and Cost Scope and Calculation

Savings

All cost savings and cost avoidances included in the annual VE report will be net savings to the Government. It is allowable to report savings up to six years consistent with budget projections in the Future Years Defense Program (FYDP) that is current at the time the value-improving project is implemented. Savings may be reported in the years they occur during the FYDP period, or as an estimate projected against the FYDP budget profile.

VECPs: For acquisition savings, report the Government's share during the VECP sharing period; thereafter, until the end of the FYDP period, 100 percent of the net savings may be reported. For collateral savings (life cycle savings other than acquisition), Government share of average annual collateral savings for the FYDP period may be reported.

VEPs (value-improving projects other than VECPs): For acquisition savings, 100 percent of the net savings for the FYDP period may be reported. For collateral savings (life cycle savings other than acquisition), 100 percent of average annual collateral savings for the FYDP period may be reported.

Cost

On a project-by–project basis, development and implementation costs are those costs above normal Government administrative costs that result directly from developing and implementing each individual value-improving project, such as any net increases in the cost of testing, operations, maintenance, and logistics support. The term does not include the normal administrative costs of processing the value-improving project or the costs of running the VE office. The annual report will sum project-by–project costs and add the annual cost of running the VE office (work force and other required resources) for a total VE program cost.

Return on Investment (ROI)

ROI equals total net VE savings to the Government divided by total VE program costs (savings and cost as defined above).

C. Savings and Cost Documentation

To be included in the annual VE report, each value-improving project must be documented and include the following minimum essential documentation elements:

1. Unique project number/identifier

2. Identification of development and implementation costs to the Government above normal administrative costs consistent with the Federal Acquisition Regulation. Government costs are those agency costs that result directly from developing and implementing the value-improving project, such as any net increases in the cost of testing, operations, maintenance, and logistics support. The term does not include the normal administrative costs of processing the value-improving project.

3. Description of gross and net savings to the Government: acquisition and/or collateral (life cycle cost other than acquisition)

4. Description of technical changes

5. Validation of savings (either through actual documented savings or documented estimate of future savings and/or cost avoidances using established financial analysis procedures—approval and date)

6. Approval of technical change and date

7. Identification of who did the study or analysis, or submitted idea

8. Program approval and date

9. Identification of items to which VE proposal applies

10. Date project initiated or proposal submitted for approval

11. Cost and savings figures for each of the years identified

12. Date of construction/etc.— include customized instructions on completing form (applies to construction projects only)

13. Indication of the above VE criteria met (if not VECP, must document minimum elements of function analysis)

D. VE Integration With or Differentiation from Other Programs

It was agreed that DoD Components should be encouraged to integrate VE with other similar programs and capture the savings in the annual VE report whenever possible. To be reported in the annual VE report, projects must meet the minimum criteria and documentation requirements listed above. Savings reported through multiple channels are allowed but should be noted in the report.

Function Analysis/Best Value Alternative Worksheet (Examples)

(For reporting purposes, the minimum elements necessary to constitute function analysis required for other than VECPs are: project identification, function definition, alternative(s) identification, and alternative selection.)

Project Identifier:

Example 1. Finnigen Pin Sparing.

Example 2. Mark I Mod O Disposable Coffee Receptacle.

Example 3. Flag/Senior Management Liquid Containment Vessel.

Function Definition (Use Verb-Noun Descriptor):

Example 1. Obtain Finnigen Pins.

Example 2. Hold Coffee.

Example 3. Impress Associates.

Function Performance Alternatives:

Example 1.
a. Purchase from OEM.
b. Find alternate source.
c. Reverse Engineer for Competition.

Example 2.
a. Paper cups.
b. Styrofoam cups.

Example 3.
a. Gold Leaf embossed ceramic.
b. Cut Waterford crystal.

Selected Alternative:

Example 1. Use alternate source. (other suppliers; lower cost)

Example 2. Paper Cups. (Biodegradable, no disposal cost)

Example 3. Gold Leaf Embossed. (Stars do not show well on Crystal)