

CEMP-EV (5-4e)

MEMORANDUM FOR COMMANDERS, MAJOR SUBORDINATE COMMANDS

SUBJECT: FY 96 Military Construction Value Engineering (VE) Program (Including Environmental)

1. The purpose of this memorandum is to approve your requested goals (enclosures 1, 2, and 3) and provide policy (enclosure 4) for the subject program.
2. You and your staff are congratulated for producing over \$66 million in FY 95 Military Construction monetary savings. These results have been included in the Department of the Army report to the Office of Management and Budget, and strongly demonstrate the Corps' cost effectiveness.
3. You should be aware of a 1996 amendment to the Federal Procurement Policy Act, which requires each executive agency to establish and maintain a Value Engineering Program. This amendment should cause increased customer participation in VE, and adds emphasis to ensure that this program remains a strong asset to the Corps.

FOR THE COMMANDER:

4 Encls

(s)  
ALBERT J. GENETTI, JR.  
Major General, USA  
Director of Military Programs

HQUSACE  
CIVIL WORKS  
VALUE ENGINEERING POLICY  
February 1996

1. References:

a. The National Defense Authorization Act for Fiscal Year 1996, which amended the Office of Federal Procurement Policy Act to require that each executive agency establish and maintain Value Engineering.

b. Lieutenant General Williams' memorandum, dated 23 DEC 94, Subject: U.S. Army Corps of Engineers Value Engineering (VE) Program, which requested that commanders support the VE Program.

c. Lieutenant General Williams' memorandum dated 18 AUG 94, Subject: Value Engineering Change Proposals (VECP) which requested MSC to take steps to ensure that Districts actively encourage contractors to participate in the VECP program.

d. Lieutenant General Williams' memorandum dated 10 Dec 93, Subject: U.S. Army Corps of Engineers Value Engineering Program, which endorsed the 1993 Office of Management and Budget (OMB) Circular A-131, and ER 5-7-1 dated 30 Sept 92.

2. A formal VE study (defined as a team study) shall be performed on all construction projects with current working estimate (CWE) of \$2,000,000 and greater and on supply, service and operation & maintenance projects with CWE exceeding \$1,000,000. Exceptions to this requirement must be approved by the division commander. These waivers should be limited to projects which duplicate another on which a VE Study has been performed, and of which the resultant cost is comparable to private industry. A list of approved exceptions will be sent to CEMP-EV quarterly. Construction projects with CWE less than \$2,000,000 should be studied, when cost effective. You are reminded that Public Law requires a VE study to be performed on all Civil Works projects with CWE of \$10,000,000 and greater.

3. All Corps of Engineers customers and sponsors are to be offered Value Engineering services along with the opportunity to directly participate as part of the Value Engineering team. This promotes a partnering relationship and is an excellent source of additional information for study enhancement. All navigation projects (including operation & maintenance) which fall within the limits specified in paragraph 2 above, will have formal VE studies performed, and will include local Waterway-Users Board representatives as members of the VE team.

4. Value Engineering is a command emphasis program, with progress to be reported to the Chief at quarterly command management reviews. The Value Engineering Officer (VEO) should have direct access to the Commander, regardless of organizational or physical location in the division or district office. Multiple responsibilities should be limited to ensure that division VEO properly monitor district VE performance, and that district VEO effectively

execute the Value Engineering Program. Proper selection of qualified VEO's is paramount to program success, and in high workload districts, the VEO may need a supporting staff. New Value Engineering Officers should immediately attend the Corps 40-hour VE Workshop.

- \* 5. Each division VEO should schedule semiannual district staff visits to review VE activities and suggest corrective actions, when needed. Division meetings at regional or national Value Engineering conferences may be substituted for one of these staff visits. Copies of division VEO Staff Visit Reports shall be included in the 4th Quarter VE Reports and should reflect the required visits to each district. (Note: Any division VEO who has not submitted FY 95 Staff Visit Reports should comply).
- \* 6. The OMB Circular A-131 required audit is being performed to validate the accuracy of agency reported Value Engineering savings and to assess the adequacy of agency implementation of its circular. This audit should be completed by summer, 1996 for the Corps. Divisions and districts must ensure studies are performed and reviewed in a professional manner. Past audits have commented on the lack of documentation for rejection of completed VE studies. Documentation will include the technical reasons for rejection and the name of the individual making the decision. Reasons such as "adequate project funds available," or "user rejected," are not satisfactory. All VE studies and VECP shall receive the same level of technical and management review as any other design or technical modification. Rejections of any individual VE proposals with potential savings of \$1 million or more and rejections on multiple proposals whose potential savings in the aggregate is \$1 million or more must be approved by the division commander. Proposed rejections will be sent to the MSC Commander immediately (within 2 weeks) after the District review of the VE study.
7. The Value Engineering Change Proposal (VECP) Program needs additional emphasis. This program has historically produced less than 10 percent of the total Value Engineering Savings. However, proper emphasis can increase project quality and result in savings greater than the total cost of the USACE VE effort. Contractors should be offered a copy of EP 11-1-4, dated 15 May 1995, encouraged to utilize the VE contract clauses, and assured that proposals will be given a fair review.
8. All Value Engineering studies shall be completed on the Value Engineering Report Template (VERT) and the Value Engineering Data Information System (VEDIS) as a part of the study documentation. Completed reports will be submitted electronically or via floppy disk to Kansas City District for incorporation into the National Institute of Building Sciences (NIBS) Construction Criteria Base CD Rom for access by all Corps Value Engineering Officers, project managers and contractors.
9. Engineering Form 4607-R must continue to be completed for each VE study until VEDIS and VERT are fully utilized. A copy of this form will be retained with district files and the original sent to the division office. Where VE savings exceed \$250,000 or the study has USACE-wide interest, a copy will also be furnished to CEMP-EV at HQUACE.

10. Value Engineering savings shall only be reported through the Value Engineering Program (Army Ideas for Excellence savings are reported separately, and VEO should ensure that no double reporting occurs). All VEO shall validate/ensure that accepted value engineering proposals are included in the final design before claiming savings.

11. USACE 40-hour VE workshop training is considered the foundation for a strong VE program and offers 3.2 Continuing Education Units (CEU) for students. The high CEU should help professional engineers & architects in professional recertification. VEO should annually update their list of trained and non-trained personnel. Any Corps employee whose expertise or position has potential to assist in VE success should receive training. A minimum of 15 percent of all eligible, untrained personnel should attend the 40-hour workshop annually. These personnel should be reminded annually (during February/March) to schedule the Huntsville Prospect VE Course.

12. VE goals will be reviewed during the third quarter FY 96. These goals may be adjusted if actual workload changes significantly from current projections.

HQUSACE  
MILITARY PROGRAMS  
VALUE ENGINEERING POLICY  
February 1996

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a. The National Defense Authorization Act for Fiscal Year 1996, which amended the Office of Federal Procurement Policy Act to require that each executive agency establish and maintain Value Engineering.

b. Lieutenant General William's memorandum, dated 23 DEC 94, Subject: U.S. Army Corps of Engineers Value Engineering Program, which requested that commanders support the VE Program.

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d. Lieutenant General William's memorandum, dated 10 DEC 93, subject: U.S. Army Corps of Engineers Value Engineering Program, which endorsed the 1993 Office of Management and Budget (OMB) Circular A-131, and ER 5-7-1 dated 30 Sept 92.

2. A formal VE study (defined as a team study) shall be performed on all construction projects with current working estimate (CWE) of \$2,000,000 and greater, and on supply, service and operation & maintenance projects with CWE exceeding \$1,000,000. Projects based on standard designs will receive a full VE study, and projects to be constructed by request for proposal (RFP) type contracts will be subject to a VE study on the required criteria package prior to request issuance. Exceptions to this requirement must be approved by the division commander. These waivers should be limited to projects which duplicate another on which a VE Study has been performed, and on which the resultant cost is comparable to private industry. A list of approved exceptions will be sent to CEMP-EV quarterly. Construction projects with CWE less than \$2,000,000 should be studied, when cost effective. You are reminded that Defense Environmental Restoration Program (DERP) projects are subject to OMB VE requirements, and their VE studies are being tracked in Command Management Review as a performance indicator.

3. VE is an integral part of the design cycle and will be applied early (normally at completion of 35% or concept design). Where the parametric procedure is used, a study will be provided after completion of approximately 10% of the design (after a detailed cost estimate is available). This detailed cost estimate is necessary to properly perform a study and satisfy the OMB mandate.

4. All Corps of Engineers customers are to be offered Value Engineering services along with the opportunity to directly participate as part of the Value Engineering team. This promotes a

partnering relationship and is an excellent source of additional information for study enhancement.

5. Value Engineering is a command emphasis program, with progress to be reported to the Chief at quarterly command management reviews. Therefore, the Value Engineering Officer (VEO) should have direct access to the Commander regardless of physical location in the division or district office. Multiple responsibilities must be limited to ensure that the division VEO properly monitors district VE performance and that the district VEO professionally executes the Value Engineering Program. Proper selection of a qualified VEO is paramount to program success, and in high workload districts, the VEO may need a supporting staff. New Value Engineering Officers should immediately attend the Corps 40-hour VE Workshop.

6. Each division VEO should schedule semiannual district staff visits to review VE activities and suggest corrective action, when needed. Regional Value Engineering Conferences may be substituted for one of these staff visits. Copies of division VEO Staff Visit Reports shall be included in the 4th Quarter VE Reports and should reflect the required visits to each district. (Note: Any division VEO who has not submitted FY 95 Staff Visit Reports should comply).

7. The OMB Circular A-131 required audit is being performed to validate the accuracy of agency reported Value Engineering savings and to assess the adequacy of agency implementation of its circular. This audit should be completed by Summer 1996 for the Corps Program. Divisions and districts must ensure studies are performed and reviewed in a professional manner. Past audits have commented on the lack of documentation for rejection of completed VE studies. Documentation will include the technical reasons for rejection and the name of the individual making the decision. Reasons such as "adequate project funds available," or "user rejected," are not satisfactory. All VE studies and VECP shall receive the same level of technical and management review as any other design or technical modification. Rejections of any individual VE proposals with potential savings of \$1 million or more and rejections on multiple proposals whose potential savings in the aggregate is \$1 million or more must be approved by the division commander. Proposed rejections will be sent to the MSC Commander immediately (within 2 weeks) after the District review of the VE study.

8. The Value Engineering Change Proposal (VECP) Program needs additional emphasis. This program has historically produced less than 10 percent of the total Value Engineering Savings. However, proper emphasis can increase project quality and result in savings greater than the total cost of the USACE VE effort. Contractors should be offered a copy of EP 11-1-4, dated 15 May 1995, encouraged to utilize the VE contract clauses, and assured that proposals will be given a fair review.

9. All Value Engineering studies shall be completed on the Value Engineering Report Template (VERT) and the Value Engineering Data Information System (VEDIS) as a part of the study documentation. Completed reports will be submitted electronically or via floppy disk to Kansas City District (CEMRK-VE) for incorporation into the National Institute of

Building Sciences (NIBS) Construction Criteria Base CD Rom for access by all Corps Value Engineering Officers, project managers and contractors.

10. Engineering Form 4607-R must continue to be completed for each VE study until VERT/VEDIS are fully operational. A copy of this form will be retained with district files and the original sent to the division office. Where VE savings exceed \$250,000 or the study has USACE-wide interest, a copy will also be furnished to CEMP-EV at HOUSACE.

11. Value Engineering savings shall only be reported through the Value Engineering Program (Army Ideas for Excellence savings are reported separately, and VEO should ensure that no double reporting occurs). All VEO shall validate/ensure that accepted value engineering proposals are included in the final design before claiming savings.

12. USACE 40-hour VE workshop training is considered the foundation for a strong VE program and offers 3.2 Continuing Education Units (CEU) for students. The high CEU should help in professional recertification. VEO should annually update their lists of trained and non-trained personnel. Any Corps employee whose expertise or position has potential to assist in VE success should receive training. A minimum of 15 percent of all eligible, untrained personnel should attend the 40-hour workshop annually. These personnel should be reminded annually (during February/March) to schedule the Huntsville Prospect VE Course.

13. VE goals will be reviewed during the third quarter FY 96. These goals may be adjusted if actual workload changes significantly from current projections.

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