

## **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  
41 USC 1711 - Value engineering

*“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. Office of Management and Budget (OMB) Circular A-131, Revised December 26, 2013  
<http://www.whitehouse.gov/sites/default/files/omb/assets/OMB/circulars/a131/a131-122013.pdf>

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 1121, 1711. 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 December 26, 2013, is the Federal Directive that *“...requires federal agencies to consider and use Value Engineering (VE) as a management tool to ensure realistic budgets, identify and remove nonessential capital and operating costs, and improve and maintain acceptable quality in program and acquisition functions...”* The OMB Circular currently requires VE for new agency projects and programs when the project cost estimate is at least \$5 million or such lower dollar threshold as determined by the Senior Accountable Official (SAO) and identified in the agency’s VE guidelines.

*“Agencies should maintain policies and procedures to ensure VE is considered and integrated, as appropriate, into the planning and development of agency programs, projects, activities, as well as contracts for supplies and services, including performance based, architect-engineering, and construction contracts.”*

*“ Consistent with the guidelines in the Circular, senior agency management shall ensure that agency VE policies and practices support effective, efficient, and environmentally sound arrangements for conducting the work of their agencies and provide a sound basis for identifying and reporting accomplishments.”*

This Circular contains the specific Agency Responsibilities: *“Agencies subject to the Chief Financial Officers Act of 1990 (Public Law 101-576) (CFO Act) shall designate a senior accountable official (SAO) at a level with sufficient authority within the Department or Agency to coordinate, oversee, and ensure the appropriate consideration and use of VE. SAO responsibilities shall include the following, at a minimum, which may be delegated to appropriate agency officials:*

1. Maintaining agency guidelines and procedures for identifying agency programs and projects with the most potential to yield savings from VE studies. Agency guidelines shall:
  - a. Include a process for determining the level of effort (scale) for VE studies of agency projects and programs, based on factors such as the cost or complexity of the project, the stage in the project lifecycle, and project schedule. Factors should take into account that potential savings from VE are likely to be greatest when applied to the highest dollar value programs for the agency during the feasibility, planning, design, and other early phases of development.
  - b. Address when full or scaled VE will be required for new and ongoing projects and programs and the process for obtaining waivers consistent with the following:
    - i. *New projects and programs.* VE shall be required for new agency projects and programs when the project cost estimate is at least \$5 million or such lower dollar threshold as determined by the SAO and identified in the agency's VE guidelines. For purposes of determining whether a lower threshold is appropriate, agencies are encouraged to consider the historical costs of their major acquisitions or projects that have a significant impact on lifecycle costs or agency operations or a significant potential for repeat savings, such as manufacturing projects where savings can be applied to future units produced.
    - ii. *Ongoing projects and programs.* Agencies shall have the discretion to establish the extent to which VE is required for ongoing projects and programs. At a minimum, agencies shall establish criteria to help agency officials determine when VE may be suitable for such activities. Criteria might include a combination of factors such as: (A) priority of the program or project to the agency (e.g., is the program or project supported by a major acquisition), (B) total life-cycle cost, (C) the complexity of the program or project, (D) the presence of cost overruns, performance shortfalls, and/or schedule delays, (E) the potential for greater repeat savings or increased savings resulting from environmentally-sound and energy efficient considerations, (F) potential for greater efficiency, such as improved reliability, quality, or maintainability, (G) the amount of time since a VE study was last performed, and (H) the availability of cost and performance data and other information necessary to support a VE study
    - iii. *Waivers.* Agency guidance shall provide for waivers from required VE studies when approved by the senior accountable official or the official's designee.
  - c. Address how to measure the net life-cycle cost savings from VE.
  - d. Ensure that applications of VE to federal contracts adheres to the acquisition requirements in the Federal Acquisition Regulation (FAR), including the use of VE clauses set forth in FAR Parts 48 and 52 and the criteria in FAR 48.201(a) for granting waivers.
2. Ensuring training for program, project, acquisition, information technology (IT), and other agency personnel that covers management responsibilities for developing plans,

process for developing VEPs, best practices for soliciting and evaluating VECs, and reminders of when VE is not required to be incorporated into a contract.

3. Maintaining plans for using VE in the agency.
4. Ensuring that funds necessary for conducting agency VE studies are identified and included in annual budget requests to OMB.
5. Maintaining files on projects and programs that meet thresholds and/or criteria for the required use of VE.

### III. DODI 4245.14, DoD Value Engineering (VE) Program dated Sep 10, 2012

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.”*

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

[http://www.usace.army.mil/Portals/2/docs/Value%20Engineering/VEandEfficienciesMemo\\_Signed6Dec2011.pdf](http://www.usace.army.mil/Portals/2/docs/Value%20Engineering/VEandEfficienciesMemo_Signed6Dec2011.pdf)

*“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:

*“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 FYI2, 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

V. ER 11-1-321 (Change 1), Army Value Engineering  
[http://www.usace.army.mil/Portals/2/docs/Value%20Engineering/ER\\_11-1-321-Change1\\_Army\\_Program-VE.pdf](http://www.usace.army.mil/Portals/2/docs/Value%20Engineering/ER_11-1-321-Change1_Army_Program-VE.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.*

VI. USACE VE Policy Memorandum Subject: Change to Federal Requirement for Value Engineering (VE), Lower Threshold Limit Feb 13, 2013  
<http://www.usace.army.mil/ValueEngineering/USACEVEPolicy.aspx>

*“The current OMB Circular A-131 states the Federal requirement for VE applies to all procurements that have costs greater than \$1 million, regardless of the number of phases/contracts, delivery method, or customer.”*

In anticipation of the release of the 2013 OMB Circular, *“USACE policy is being revised to reflect the new lower threshold limit of \$2M. This shall serve as the interim policy until the release of the New ER 11-1-321.”*

VII. COMMANDER’S INTENT: Greater Efficiency and Productivity through Value Engineering (VE) (25 APR 2012)

*“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