



US Army Corps of Engineers
Headquarters

Information Paper

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SUBJECT U.S. ARMY CORPS OF ENGINEERS (USACE)
VALUE MANAGEMENT (VM)/VALUE ENGINEERING (VE) PROGRAM
Background for FY12 Annual VE Report to OMB

BACKGROUND

1. The Office of Federal Procurement Policy Act (41 U.S.C. 432, updated by 41 U.S.C. 1711, Jan 2011), requires each executive agency to establish and maintain cost-effective Value Engineering procedures and processes. The Water Resources Development Act of 1986 (33 U.S.C. § 2288) requires Value Engineering on Corps Water Resources Projects that exceed \$10 Million. The Office of Management and Budget (OMB) Circular A-131 requires Federal agencies to apply VE procedures to all projects with estimated costs of \$1 million or more. The Chief of Engineers, and Commander, US Army Corps of Engineers, is responsible for implementation of OMB Circular A-131 for Civil Works projects. Current Administration emphasis on “Efficiencies in Government” has increased VE performance visibility and ties to future budget initiatives.
(link)
2. Per OMB Circular A-131, Federal Agencies are required to report annually on the performance of their Value Engineering efforts.
3. Corps reporting claims cost savings/avoidance as construction placement occurs. While this does not show future year savings for reporting, it has resulted in credible, successful AAA, DoD and OMB audits.

GRAND TOTAL CW Savings and Avoidance = In-house Cost Avoidance + Contractor Cost Savings
\$ 231,170,249 = \$ 231,060,302 + \$109,947

IN-HOUSE COST AVOIDANCE CALCULATIONS:

GROSS COST AVOIDANCE (CA)= Cost of project before VE - Cost of project after VE workshop

Avoidance only claimed after Construction has begun, so that only accepted/constructed cost avoidance claimed.

NET COST AVOIDANCE = Gross Cost Avoidance - Cost of In-house VE Program
\$231,170,249 = \$ 233,602,386 - \$2,432,138

CONTRACTOR COST SAVINGS CALCULATIONS:

The Government (Corps) retains 45% of any ACCEPTED Value Engineering Change Proposal (VECP) submitted by the Construction Contractor, by actually reducing the Construction CONTRACT amount. This 45% is shown as the Gross Contractor Cost Savings in the report. A Construction Contractor retains 55% of any ACCEPTED Value Engineering Change Proposal (VECP) which he/she submits, thereby INCREASING his/her PROFIT. This is shown as Dollar share of Savings/Avoidance Provided to Contractors in report.

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POLICY LINKS:

Pub. L. 111-350, §3, Jan. 4, 2011, 124 Stat. 3718

<http://uscode.house.gov/cod/t41/bill.pdf>

41 USC 1711 - Value engineering

<http://ve.ida.org/ve/pages/41-USC-Sec-1711-VE.pdf>

Pub. L. 104-106, Office of Federal Procurement Policy Act, Section 5122

<http://www.gpo.gov/fdsys/pkg/USCODE-2006-title41/pdf/USCODE-2006-title41.pdf>

41 USC 432 - Sec. 432. Value engineering

<http://www.gpo.gov/fdsys/pkg/USCODE-2006-title41/pdf/USCODE-2006-title41-chap7-sec432.pdf>

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>

Office of Management and Budget (OMB) Circular A-131

http://www.whitehouse.gov/omb/circulars_a131

ER 11-1-321 (Change 1), Army Value Engineering

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

OTHER RECENT POLICY DOCUMENTS:

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

http://ve.ida.org/ve/documents/VEandEfficienciesMemo_Signed6Dec2011.pdf

Chief of Engineers (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>

USACE Value Engineering Website

<http://www.usace.army.mil/ValueEngineering.aspx>