



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

THE DIRECTOR

October 15, 1996

M-97-01

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM:

Franklin D. Raines  
Director

SUBJECT:

Agency Value Engineering Programs

Value Engineering (VE) is a proven management tool that can be used by agencies to streamline operations, improve quality, and reduce contract costs.

The Federal Acquisition Reform Act of 1996, P.L. 104-106, section 4306, signed by the President in February, requires that each executive agency establish and maintain cost effective value engineering procedures and processes. This is the first time that VE requirements have been included in statute.

In May of 1995, OMB wrote to you with a reminder that the Agency Inspector General was to conduct an audit of the adequacy of your value engineering program. Those audits indicated that there are some areas where increased VE results are possible. One area is to increase our encouragement of contractor VE savings. As you are aware, there are a number of Administration and statutory initiatives underway to establish goals and benchmarks for the management of government operations and contracts. These include our effort to integrate the requirements of the Government Performance and Results Act, the Federal Acquisition Streamlining Act, the Federal Acquisition Reform Act, and the Information Technology Management Reform Act into a single capital programming policy. OMB Circular A-11, Part 3, Planning, Budgeting, and Acquisition of Fixed Assets, has been issued and an OMB, agency and GAO working group is developing a Capital Programming Guide to provide guidance to agencies on capital asset management.

Reinvigorated value engineering efforts at the agency level can assist in meeting, or exceeding goals in asset management and other areas. In this regard, OMB would like to form an interagency task group to provide recommendations on: including VE in the capital programming guidance; establishment of guidelines for agency VE programs; and, if appropriate, revisions

to the Federal Acquisition Regulation VE guidelines to increase contractor innovation and savings suggestions. If you would like to send a representative to this working group, please have that person contact David Muzio at 202-395-6805 by October 30. We will schedule a time and place for the group to meet as soon as we know the size of the working group.