

2022 VE REQUIREMENTS NARRATIVE

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

The content of this VE Requirements Narrative, in conjunction with the following references should be reviewed in their entirety by every District Value Officer (DVO)/Regional Value Officer (RVO) and/or all Value Program Managers (VPgMs) and used to answer any program or project level VE questions or issues that might arise regarding: “Why do we have to do VE?”; “Who has authority over VE?”; and, “The Customer won’t pay for VE!” prior to asking for guidance.

1. Public Law 111–350 §3, Jan. 4, 2011, 124 Stat. 3718, 41 USC 1711 - Value Engineering
2. Office of Management and Budget (OMB) Circular A-131, Value Engineering, 26 Dec 2013
3. OMB Circular A-11, Preparation Submission, and Execution of the Budget, Appendix 7, Value Management, Aug 2022
4. OMB Circular A-123, Management’s Responsibility for Enterprise Risk Management and Internal Controls, 15 Jul 2016
 - a. Federal Acquisition Regulation (FAR) Part 48 - Value Engineering
 - b. FAR Part 52 - Solicitation Provisions and Contract Clauses
5. Department of Defense Instruction (DoDI) 4245.14, DoD Value Engineering (VE) Program, 15 Oct 2018
6. Army Regulation (AR) 5-1, Management of Army Business Operations, 12 Nov 2015
7. Engineer Regulation (ER) 5-1-11, U.S. Army Corps of Engineers (USACE) Business Process, 31 Jul 2018
8. ER 11-1-321, Change 1, Army Programs, Value Engineering, 01 Jan 2011
9. Legal Reviews

I. Public Law 111–350, §3, Jan. 4, 2011, 124 Stat. 3718, 41 USC 1711 - Value Engineering
<https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title41-section1711&num=0&edition=prelim>

“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. OMB Circular A-131, Value Engineering, (26 DEC 2013)
https://www.whitehouse.gov/wp-content/uploads/legacy_drupal_files/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 U.S.C. 1121, 1711. The OMB Circular A-131 is issued pursuant to 41 U.S.C. 1121, 1711. The OFPP plays a central role in shaping the policies and practices federal agencies use to acquire the goods and services they need to carry out their responsibilities. 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.

OMB Circular A-131 requires each agency to designate a qualified Senior Accountable Official (SAO) to coordinate, oversee, and ensure the appropriate consideration and use of VE. *SAO responsibility was assigned by LTG General Van Antwerp, Feb. 2011, to the HQ Chief Value Officer (CVO), for all assigned mission areas. The responsible person for interpreting VE requirements contained in OMB Circular A-131, DoD Instruction 4245.14, and VE components of AR 5-1, for USACE is the agency SAO for VE, the HQ CVO.*

OMB Cir A-131 is the Federal Directive that requires federal agencies to “consider and use 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 SAO and identified in the agency’s VE guidelines (see ER 11-1-321, Change 1 below for determination of USACE’s threshold set by the CVO). Also the OMB Circular requires senior agency management to *“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” and to 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.”*

III. OMB Circular A-11, Preparation Submission, and Execution of the Budget, Appendix 7, Value Management (AUG 2022)

<https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf>

“The value management methodology (also known as value analysis, value engineering, value planning, etc.) should be considered for use in the Planning and Budgeting, Acquisition, and Management-In-Use Phases of capital programming. The value methodology uses a systematic job plan to identify essential functions necessary to accomplish an activity, analyze those functions, and generate alternatives to secure them at their greatest worth on a life-cycle benefit-to-cost basis. By following the process defined in the job plan, the use of the value methodology will facilitate the selection through evaluation and analysis of the ‘best value’ alternative for those functions. The process provides plans and actions to acquire and implement the selected alternatives. The Integrated Project/Program Teams (IPT) may employ the use of the value management methodology in several ways including a professional value management specialist as a member of the team, using team leaders trained in the value management methodology, or using value specialists (either agency employees or industry consultants) to perform studies.”

IV. OMB Circular A-123, Management’s Responsibility for Enterprise Risk Management Internal Control (15 JUL 2016)

https://www.whitehouse.gov/wp-content/uploads/legacy_drupal_files/omb/memoranda/2016/m-16-17.pdf

“This Circular defines management’s responsibilities for enterprise risk management (ERM) and internal control. The Circular provides updated implementation guidance to Federal managers to improve accountability and effectiveness of Federal programs as well as mission

support operations through implementation of ERM practices and by **establishing, maintaining, and assessing internal control effectiveness**. The Circular emphasizes the need to integrate and coordinate risk management and strong and effective **internal control into existing business activities and as an integral part of managing an Agency.**”

“Federal leaders and managers are responsible for **establishing goals and objectives** around operating environments, **ensuring compliance with relevant laws and regulations**, and managing both expected and unexpected or unanticipated events. They are responsible for implementing management practices that **identify, assess, respond, and report on risks**. Risk management practices must be **forward-looking** and designed to help leaders make better decisions, alleviate threats and to identify previously unknown opportunities to improve the efficiency and effectiveness of government operations. Management is also responsible for **establishing and maintaining internal controls to achieve specific internal control objectives related to operations, reporting, and compliance.**”

(a) FAR Part 48, Value Engineering

<https://www.acquisition.gov/far/part-48>

“This part prescribes policies and procedures for using and administering value engineering techniques in contracts.”

(b) FAR Part 52.248.1, Part 52.348.2, and Part 52.248.3

[https://www.acquisition.gov/far/52.248-1, -2, -3](https://www.acquisition.gov/far/52.248-1,-2,-3)

These parts are the contract clauses that are inserted into contracts. The clause used is determined by the type of contract.

V. DoDI 4245.14, DoD Value Engineering (VE) Program (15 OCT 2018)

https://hq.usace.afpims.mil/Portals/2/docs/Value%20Engineering/DoDI_VE_4245_14_26Oct2012.pdf

Implements section 1711 of title 41, United States Code (quoted below as Reference (b)) and Office of Management and Budget Circular No. A-131 (quoted below as 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 and oversee DoD Component implementation of this Instruction.”

VI. AR 5-1, Management of Army Business Operations HQDA (12 NOV 2015)

https://armypubs.army.mil/epubs/DR_pubs/DR_a/pdf/web/r5_1.pdf

Establishes responsibilities and policy for the management framework of Army business operations by U.S. Army organizations. This regulation emphasizes the importance of managing Army business operations, establishment of a strategic plan, assessing performance, executing continuous improvement, and effectively and efficiently executing the responsibilities under Title 10, United States Code, throughout the institutional Army. AR 5-1 directs and explains how to develop and implement sound management principles and practices.

“Para. 2-4 Commanders of Army commands, Army service component commands, and direct reporting units Section h. Commanding General, U.S. Army Corps of Engineers. The Commanding General USACE will ... *Formulate, implement, manage, evaluate the Value Engineering (VE) Program for the Army’s engineering and construction, real property, and technical policy.*”

“Para. 3-4 Business operations innovation Section d. Value Engineering.

- (1) *AMC and USACE, in accordance with ASA (ALT) delegation of authority, develops Army VE guidance.*
- (2) *VE is a systematic approach to analyzing the functions of systems, equipment, facilities, services and supplies to ensure they achieve their essential functions at the lowest life cycle cost consistent with required performance, reliability, quality, and safety. Implementing the VE process on a problem typically increases performance, reliability, quality, safety, durability, effectiveness, or other desirable characteristics.*
- (3) *As a management discipline, VE incorporates the total resources available to an organization to achieve broad management objectives. Thus, VE is a systematic approach for attaining a return on investment by improving what the product or service does in relation to the money spent on it.*
- (4) *The Army program vertically integrates with the DoD VE program and has two components:*
 - (a) *An intra-DoD and/or Army effort in which VE is performed by military and civilian personnel [Before Award], and;*
 - (b) *An external effort (VE Change Proposal) in which VE is performed by DoD contractors and applied to contracts after DoD approval. [After Award]*
- (5) *The mandatory VE provisions in most DoD contracts encourage contractor participation and thereby realize the full benefits from cost-reduction opportunities and innovations. These contract provisions provide the basis for the contractor to obtain a share of the savings that result from an approved VE effort.*
- (6) *AMC is the office of primary responsibility for VE.”*

VII. ER 5-1-11, USACE Business Process (31 JUL 2018)

https://www.publications.usace.army.mil/Portals/76/ER_5-1-11.pdf?ver=2019-

*“The PM’s active role as consultant is essential to **ensure that the stakeholder’s quality objectives are clearly articulated and that the stakeholder 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).”

“**All work** accomplished by USACE is considered part of a program. A program is a collection of related projects, services, routine administrative and recurring operational processes, or some mixture of these. Programs are executed to provide projects, products, and services for both internal and external stakeholders.”

“**All work must be managed with a written plan.** Planning enables us to fully understand our stakeholders’ requirements and build trust with stakeholders and coworkers by clarifying expectations, keeping commitments, and ensuring all products and services are delivered as promised.”

“**Manage all projects with a Project Management Plan (PMP).** To meet mission objectives, each project is managed under a project management plan (PMP). A PMP is a roadmap for quality project delivery.”

“**The PMP will include the following at a minimum:** Scope, PDT roles, Assumptions and Constraints, WBS, Schedule, Funding, Change management, **Value Management [REF 8023G]**, Risk, Communications, Quality, Acquisition Strategy, Safety, Data Management and close-out.”
Therefore, all projects must have a Value Management Plan (VMP).

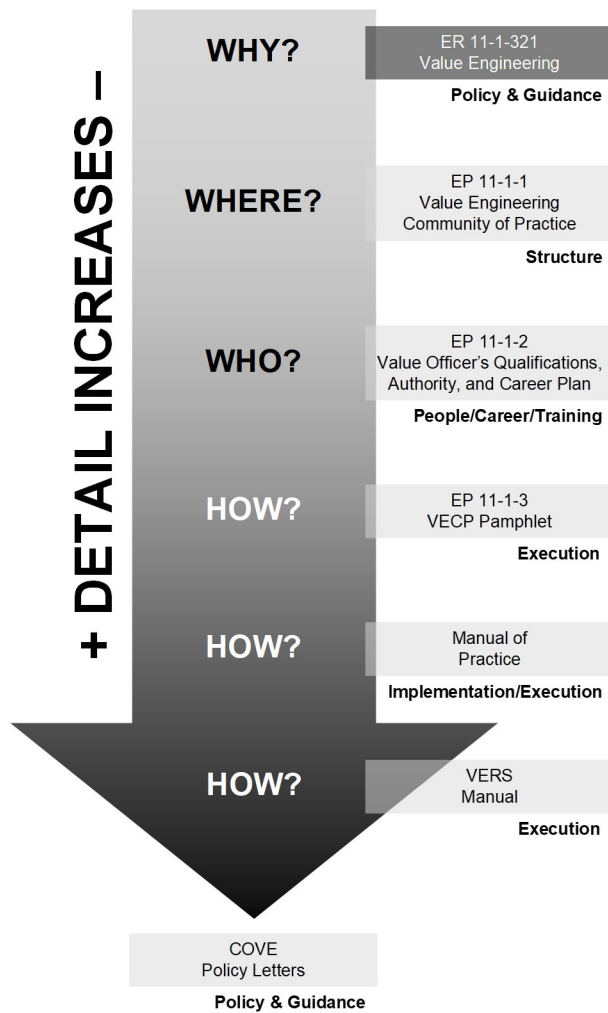
“The Project Management Automated Information System (PROMIS or P2) is the database of record for all Program and Project management data. This corporate data helps execute enterprise level business processes and provide decision support. All data must be managed in sufficient detail and in a fashion to achieve interoperability as well as regional and corporate visibility of essential information that can be seamlessly shared across USACE, its stakeholders, and partners...**All USACE efforts will be captured in P2; however, the level of detail will be dependent upon the specific program and category of work.**”

VIII. ER 11-1-321 (Change 1), Army Value Engineering (01 JAN 2011)

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 VE elements within the Project Delivery Business Process (PDBP) of the U.S. Army Corps of Engineers (USACE). *It is the DVOs’ responsibility to execute according to ER 11-1-321, Change 1 and HQUSACE policies and not in accordance with individual interpretations or interpretations of individual mission areas or offices.*

Per OMB Circular A-123, the CVO may determine a lower threshold. Within USACE, there is a mandatory threshold for conducting a Value Study set at \$10 million instead of the lower \$5 million threshold set by OMB Circular A-123. However, there is a \$2 million threshold that initiates the screening process which indicates what level of effort will occur. Qualifications and authorities necessary to make the final determination for each procurement is identified within the Engineering Pamphlet (EP) 11-1-2 Value Officer’s Qualifications, Authority, and Career Plan.



*ER 11-1-321 and associated policies are the “implementation” of VE statutory & regulatory requirements for the Department of Army (for all USACE assigned mission areas). This ER provides a high-level overview of the statutory and regulatory requirements, authorities, policy, roles and responsibilities, quality management, performance management and reporting, and internal review, controls, and auditing. Further detail is developed in EPs 11-1-1 thru 11-1-3, Manual of Practice (MoP), Value Engineering Reporting System (VERS) Manual, and Chief, Office of the Value Engineer (COVE) Policy Letters as outlined by the arrow diagram to the left and the descriptions below.

**EP 11-1-1, Value Engineering Community of Practice (VCoP), describes the structure for how the Program is to be organized at each echelon within USACE.

**EP 11-1-2, Value Officer’s Qualifications, Authority, and Career Plan, articulates the career progression within the VCoP, the qualifications necessary to reach each point in the career path, and the authorities granted once the appropriate level of experience, training, and credentials are attained.

**EP 11-1-3, Value Engineering Change Proposal (VECP) Pamphlet, provides information and statistics on the VECP Program to the contractors that perform work for USACE.

**Manual of Practice, is a culmination of documents that collectively provide detailed guidance to all members of the VCoP, including how to manage their Program, Value Study performance requirements, and how to prepare a Value Study Report.

**VERS Manual, provides instruction for how to enter data into VERS to ensure accurate data and reporting.

COVE Policy Letters, are supplemental and interim policy changes between publications of ERs, EPs, or other USACE regulated documents simply due to the amount of time it requires to update, review, and publish those documents.

*Currently being updated.

**Currently in draft form.

IX. Legal Reviews

<https://hq.usace.afpims.mil/ValueEngineering/LegalReview.aspx>

The qualified DVO in each District and Regional Value Officer (RVO) in each MSC are delegated “limited legal authority” by the CVO for the determination of appropriate application of the VE requirements. The CVO is the legal authority for interpretation of statutory and regulatory requirements for USACE. Any other determination is a clear departure from the legal intent and authority of the DVO, RVO, and CVO. The DVO and RVO must establish, document, and advise Senior Leaders and Commanders to ensure due diligence and compliance with public law and OMB policy.