



Department of Defense

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DDR&E

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
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DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DoD FIELD ACTIVITIES
CHIEF OF ENGINEERS AND COMMANDER, US ARMY CORPS OF
ENGINEERS

SUBJECT: Directive-Type Memorandum (DTM) 10-XXX – “DoD Implementation of Section 432 of 41 U.S.C. Chapter 7 and Office of Management and Budget Circular A-131 Value Engineering”

References: (a) Section 432 of title 41, United States Code Chapter 7
(b) Office of Management and Budget (OMB) Circular A-131, Value Engineering, 21 May 1993
(c) DoD 4245.8-H, “Value Engineering”, March 1986
(d) Federal Acquisition Regulation (FAR), Chapter 1, Subchapter G, Part 48
(e) Federal Acquisition Regulation (FAR), Chapter 1, Subchapter G, Part 52.248

Purpose. This DTM implements section 432 of title 41 of United States Code (Reference (a)) and the reporting requirements of OMB Circular A-131, Value Engineering (Reference b). This DTM establishes DoD policy for the implementation/renewed emphasis of Value Engineering. This DTM is effective immediately; a DoD Directive shall be written within six months of the signature of this DTM. This DTM authorizes the update of reference (c), authorizes the development of a DoD Instruction, and the establishment of the Value Engineering Management Advisory Group (VE MAG).

Applicability. This DTM applies to OSD, the Military Departments (including the Coast Guard at all times, including when it is a Service in the Department of Homeland Security by agreement with that Department), the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the Department of Defense (hereafter referred to collectively as the “DoD Components”).

Policy. See Attachment 1

Responsibilities. To maximize the benefits of Value Engineering, USD (AT&L) shall administer the Value Engineering Program to meet the congressional intent of 41 USC 432. The DoD Components shall manage the Component's VE Program and administer their VE program See Attachment 2.

Roles. The Value Engineering Management Advisory Group (VE MAG) of VE subject matter experts from each of the DoD Components shall advise (USD(AT&L) in VE policy, goals and direction . See Attachment 3

Releasability. This DTM is approved for public release and is available on the Internet from the DoD Issuances Web Site at <http://www.dtic.mil/whs/directives>.

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Ashton B. Carter

ATTACHMENT 1

POLICY

It is DoD policy that:

1.0 DoD Components shall establish a VE management function to improve military worth or reduce costs, wherever it is advantageous.

1.1. VE shall be applied in-house to eliminate unnecessary costs and/or improve value in the development, procurement, acquisition of services and/or materiel. VE principles and methodology shall be applied by commanders, technical directors, procurement and contracting agents, program and project/product managers, and chiefs of operating agencies having responsibility for research, development, test, and evaluation, procurement, production, product assurance, operations and services, maintenance, supply, transportation, construction, storage, and final disposition of DOD materiel and facilities. When redesign of an end item or component is initiated, VE techniques shall be used in preparing the redesign. VE considerations shall be integrated with product improvement proposals submitted for approval.

1.2. VE provisions shall be included in all contracts when the contract amount is expected to exceed the simplified acquisition threshold as provided in the Federal Acquisition Regulations Chapter 1, Subchapter G, Part 48 (reference e) and part 52.248 (reference f).

2.0 Components shall incorporate the VE concepts and tools with continuous process improvement concepts and tools (Reference g) to improve the full range of processes and activities that comprise their operations, including decision-making processes and appropriate engagement with industrial base suppliers.

3.0 Military and civilian personnel performing in VE ^{shall}~~will~~ receive formal training in the contractual aspects and principal applications of VE.

ATTACHMENT 2

RESPONSIBILITIES

1. The Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) shall:

1.1.1. Provide overall policy guidance for the DoD VE Program.

1.1.2. Maintain and revise, when necessary, DoD 4245.8-H (reference c) consistent with DoD 5025.1-M (reference d).

1.1.3. Issue supplementary guidance as may be required.

1.1.4. Review DoD Component results and management plans.

1.1.5. Provide for recognition of exemplary VE accomplishments by DoD in-house and contractor personnel and activities.

1.1.6. Assign VE goals to the DoD Components.

1.1.7. ~~Chair~~ ^{CHAIR} the Value Engineering Management Advisory Group (VE MAG)

2. The Heads of DoD Components shall:

2.1. ^{REQUIRED} Designate a senior VE manager for the component and establish a VE point of contact at each sub-component engaged in acquisition, service, support, construction, and operations and support (O&S) activities.

2.2. ^{PER REF (b)} Apply VE in acquisition, service, support, construction, and O & S activities.

2.3. Program resources necessary for operating the DoD VE program, including training and evaluating proposals. Establish procedures for payment of the contractor share of VECF savings that occur in future budget years or in different budget accounts.

2.4. Establish and maintain an annual Component DoD VE Management Plan, including, but not limited to, training, staffing, and projected VE savings.

2.5. Establish VE goals for subordinate in-house and contractual activities as required. Activities responsible for managing major systems, such as program executive offices and system project offices, shall set VE goals.

2.6. Report VE savings to the USD(AT&L). Reported savings shall have sufficient documentation to attest to its accuracy, authenticity, and acceptability.

2.7. Apply VE to identify spare parts whose prices are excessive and use VE to support actions to reduce unnecessary costs and/or improve functionality and value.

2.8. Apply VE to identify and eliminate unnecessary and non-cost-effective contract requirements.

2.9. Use Value Engineering Program Requirement (VEPR) to identify opportunities for considerable savings in contracts consistent with the functional requirements of the end item of the contract to include production and service contracts.

2.10. Document the evaluation and processing of VEPs and VECPs..

2.11. Evaluate and process, objectively and promptly, contractor and in-house VE proposals.

2.12. Ensure managers (program and project, procurement, contract administration, engineering and support) motivate contractors and DoD personnel to develop and submit VE proposals.

2.13. Apply VE savings to create an incentive for participation in the VE program. Resource benefits resulting from VE application may be retained by the DoD activities that generate them.

2.14. Provide training on principles and applications of value engineering methodologies and contractual aspects.

2.15. Develop criteria and procedures for providing recognition awards to individuals and organizations for exceptional VE accomplishments. Provide annual nominations for the DoD Honorary VE Awards Program.

1. Value Engineering Management Advisory Group (VE MAG).

The DoD VE MAG shall:

- 1.1. Be chaired by a representative of the USD(AT&L) Staff.
- 1.2. Be composed of the ^{SMO's} ~~senior working representatives~~ from the DoD Components.
- 1.3. Meet periodically at the call of the chair. Agenda items may include, but are not limited to :
 - 1.3.1. Review program progress and problems.
 - 1.3.2. Recommend policy changes.
 - 1.3.3. Exchange concepts and techniques.
 - 1.3.4. Review honorary award nominations and forward its recommendation to the USD(AT&L).
 - 1.3.5 Recommend and enhance training.
 - 1.3.6 Promote Value Engineering.