



US Army Corps of Engineers
Headquarters

Information Paper

November 30, 2020

SUBJECT U.S. ARMY CORPS OF ENGINEERS (USACE)
VALUE ENGINEERING (VE) PROGRAM
Background for FY20 Annual VE Report to OMB

BACKGROUND

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 Office of Management and Budget (OMB) Circular A-131 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 and identified in the agency's VE guidelines.

1. 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.
2. Per OMB Circular A-131, Federal Agencies are required to report annually on the performance of their Value Engineering efforts.
3. USACE reports 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
\$ 370,236,000 = \$ 368,352,000 + \$ 1, 884,000

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
\$ 370,236,000 = \$ 370,236,000 - \$2,542,000

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.

Point of Contact: Mr. Jeffery T Hooghouse, RA, DBIA, CVS
Chief Value Officer & Senior Accountable Official
Headquarters, US Army Corps of Engineers (CECW-CE)

202-761-5533 jeffery.t.hooghouse@usace.army.mil

POLICY LINKS:

Pub. L. 111–350, §3, Jan. 4, 2011, [Page 124 Stat. 3718] Sec. 1711. Value Engineering

<http://www.gpo.gov/fdsys/pkg/PLAW-111publ350/html/PLAW-111publ350.htm>

41 USC 1711 - Value engineering

<http://www.gpo.gov/fdsys/granule/USCODE-2010-title41/USCODE-2010-title41-subtitleI-divsnB-chap17-sec1711/content-detail.html>

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

<https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A131/a131-122013.pdf>

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

OTHER RECENT POLICY DOCUMENTS:

OSD (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

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>

2020 VE Requirements Narrative

https://www.usace.army.mil/Portals/2/docs/Value%20Engineering/VE_Requirements_Narrative-2020_v3.0.2.pdf

USACE Value Engineering Website

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