



REPLY TO
ATTENTION OF:

DEPARTMENT OF THE ARMY
SOUTH PACIFIC DIVISION, CORPS OF ENGINEERS

333 Market Street, Room 923
San Francisco, California 94105-2195

CESPD-DE

7 NOV 2000

MEMORANDUM FOR

Commander, Albuquerque District
Commander, Los Angeles District
Commander, Sacramento District
Commander, San Francisco District

SUBJECT: Revision to South Pacific Division Regulation 11-1-3, Value Engineering Program

1. South Pacific Division Regulation 11-1-3 has been revised to incorporate changes in the Engineering Regulations relating to project management and the project delivery team.
2. Electronic copies of this regulation, dated 22 September 2000, are available at:

<http://www.spd.usace.army.mil/dets/ceap/eng/ve/index.htm>

Hard copies are available from the South Pacific Division Value Engineer, Joseph Hovell, at (415) 977-8109.


PETER T. MADSEN
Brigadier General, U.S. Army
Commanding

DEPARTMENT OF THE ARMY
SOUTH PACIFIC DIVISION, CORPS OF ENGINEERS
333 Market Street
San Francisco, CA 94105-2195

CESPD R 11-1-3

CESPD-DE-V

Regulation
CESPD R 11-1-3

22 September 2000

Army Programs
VALUE ENGINEERING PROGRAM

Issue of supplements to this regulation by District Commanders is permitted. A copy of each supplement will be furnished to CESPD-DE-V.

1. Purpose. This regulation provides the general policy and procedures for the execution of the Value Engineering Program within the South Pacific Division.
2. Applicability. This plan applies to all elements of the South Pacific Division and its subordinate Districts. Value Engineering shall be applied on all projects for which the Corps of Engineers is the Program Manager. For other programs, such as Air Force or reimbursable work, Value Engineering shall be offered as a service available to the customer.
3. References.
 - a. Office of Management and Budget Circular Number A-131, Value Engineering.
 - b. AR 5-4 Department of the Army Productivity Improvement Program and USACE Supplement 1 thereto.
 - c. Public Law 99-662, Water Resources Development Act of 1986, Section 911
 - d. Federal Acquisition Regulation, Part 48, Value Engineering and Part 52, Solicitation Provisions and Contract Clauses.
 - e. ER 5-1-11 Program and Project Management
 - f. ER 1110-2-1150 Engineering and Design for Civil Works Projects
 - g. ER 1110-345-100 Design Policy for Military Construction
 - h. Engineering Pamphlet 11-1-3, Value Engineering Officer's Operational Guide.

- i. Engineering Pamphlet 11-1-4 Value Engineering Change Proposals
- j. AR 672-20, Incentive Awards
- k. SPD Regulation 1110-1-8, Quality Management Plan
- l. Memorandum CEMP-E/CECW-E, 15 April 1996, Subject: U.S. Army Corps of Engineers Value Engineering Program (Appendix A)
- m. Memorandum CESPD-ET-EW, 14 March 2000, subject: Implementation of Value Engineering for MILCON Projects funded by MCA, UMMCA and AFH Appropriations, with Memorandum DAIM-FD/CEMP-MA, 20 Jan 2000, subject: Revised Guidance for Procedures and Approval of Changes to MILCON Projects Funded by MCA, UMMCA and AFH Appropriations as an attachment. (Appendix F)

4. Definitions.

- a. Value Engineering (VE). A function oriented, systematic team approach to balance performance and cost. Typical value engineering studies are performed under the direction of an experienced facilitator using a multi-discipline team of project and stakeholders who break down the project into functional performance elements. Cost and benefits are assigned to each element and evaluated. Creative options are then sought when there is a mismatch between value and cost.
- b. Value Engineering Change Proposal (VECP) is a change proposed by a contractor. Reference d requires that contractors have the option to submit a VECP. Reference i is a pamphlet for contractors providing contractors information on Value Engineering Change Proposals.
- c. Value Engineer is a special assistant to the commander for executing the value engineering program and is the technical expert in value engineering. IAW reference b the Value Engineer will have entrance to any organizational element.

5. Responsibilities.

- a. The South Pacific Division is responsible for:
 - (1) Assigning goals to the districts.
 - (2) Reporting program execution to HQUSACE.
 - (3) Approving waivers to requirements for value engineering studies.

(4) Approving non-implementation of value engineering proposals of greater than \$1 million in aggregate.

(5) Appendix B lists responsibilities of the South Pacific Division Value Engineer.

b. Districts

(1) District Commanders are responsible for meeting value engineering goals.

(2) Project Management is responsible for identifying projects, which require value engineering studies, funding studies, reporting progress and providing to the Value Engineer the information necessary to establish and revise the value engineering goals.

(3) IAW reference f paragraph 13.14 the project delivery team is responsible for determining the timing of the value engineering study for civil works projects.

(4) IAW reference f paragraph 14.7 Project Management is responsible for establishing the value engineering study team for civil works projects.

(5) For activities not subject to project management; the functional chief is responsible for identifying expenditures greater than \$1 million and providing funding for a value engineering study.

(6) Certifications. IAW reference f paragraph 14.7.3 district commanders will certify, based on the recommendations of the project VE team, that the design achieved is the most effective found by the VE study. The district Value Engineer will keep a copy of these certifications on file with the study documents.

(7) Appendix C lists the responsibilities of the District Value Engineer.

(8) To ensure that all value engineering requirements are met the use of a Value Engineering Committee is encouraged. Committee members should be senior personnel from the appropriate internal offices (project management, engineering, planning, construction, operations, etc.) and programs (Environmental, Civil Works, Military, etc.). The District Engineer or a Deputy District Engineer should chair the committee. The committee should meet at the beginning of the fiscal year to select and schedule projects requiring study and to identify personnel for the annual 40 hour Value Engineering Workshop required by HQ USACE. The committee should identify savings, goals, and training requirements. The committee should meet quarterly to assess the progress in meeting the District's value engineering goals.

6. Program Requirements.

a. Goals. Goals are based upon a percentage of workload as set by HQUSACE. Appendix D provides details on the goals. Each district is responsible for identifying workload and calculating their goals. Where workload is shared between districts (e.g. design by Sacramento, construction by Los Angeles) the South Pacific Division value engineer shall allocate the goal between the two districts. Where a project has been designed outside the South Pacific Division and is awarded by a district within the South Pacific Division the MSC having program management responsibility shall be responsible for any value engineering goal.

b. Studies.

(1) Reference c requires all civil works projects with a construction value of greater than \$10 million be value engineered. In accordance with reference i all projects with a CWE of \$2 million or greater shall be value engineered, unless a waiver is granted by the South Pacific Division Commander. Reference k establishes the Value Engineering study as a milestone for the Quality Control Plan.

(2) In accordance with reference a, all Operations and Maintenance projects, acquisitions, supply and service expenditures greater than \$1 million shall be value engineered.

(3) Timing of value engineering studies. Value engineering studies should be performed when the project has reached the stage where an analysis of the cost and functions can be performed to determine possible savings. The Project Delivery Team, in consultation with the District Value Engineer, shall determine the timing of the study.

(4) Reference f paragraph 14 discusses the requirements for Value Engineering Studies of Civil Works projects.

(5) Reference g requires a Value Engineering study on all military construction projects with a CWE greater than \$2 million and recommends studies on projects with a CWE between \$1 million and \$2 million.

(6) Reference m discusses requirements of MCA, UMMCA and AFH projects. The Army's Major Command shall be invited to participate in those studies and shall be the final decision maker on the acceptance of proposals.

c. Reports.

(1) In the first quarter of each fiscal year a Value Engineering Annual Plan is required for that fiscal year. This plan identifies the projects which require study, and monetary value engineering goals.

(2) Each quarter a report (in the format specified by HQ USACE) shall be submitted so as to arrive at Division within 7 days after the quarter ends, showing the studies completed, savings realized and cost incurred.

(3) Where a proposal's savings exceeds \$250,000 or the proposal is of special interest or when the proposal has significantly improved the facility (regardless of cost savings) a report shall be submitted through the MSC to HQUSACE. (See Appendix C, item 14.)

(4) Reporting savings. Reported savings shall be based upon the estimated cost of the project as awarded compared to the project submitted for study. Incorporation of proposals into the design shall be verified by the project manager and provided to the value engineer. Savings shall be claimed at contract award, or for projects with a duration spanning more than one fiscal year, prorated over the duration of the project.

d. Waivers.

(1) Projects requiring a study shall be studied unless the MSC Commander waives the requirement. A waiver should be requested where the project is of such a nature that it is unlikely that a value engineering study would be able to produce savings. The decision to seek a waiver should be made by the Project Manager in consultation with the Project Delivery Team and the District Value Engineer. The Project Manager shall provide a rationale for not performing the study and prepare a memorandum for the District Commander's signature requesting the waiver from the Division Commander.

(2) Rejection of any individual value engineering proposal of \$1 million or greater and rejections of multiple proposals on the same project whose potential savings are in the aggregate \$1 million or more must be approved by the Division Commander.

e. Value Engineering Change Proposals and Proposals Submitted by Corps Employees.
Contractors are encouraged to submit Value Engineering Change Proposals and employees are encouraged to submit value engineering proposals.. Appendix E provides details.

f. Training.

(1) Members of a value engineering study team should have completed a SAVE International certified 40 hour workshop. To ensure a sufficient number of personnel are available for in-house value engineering studies, 15% of the untrained workforce should be trained each year. This training may be locally sponsored or the Corps' Proponent Sponsored Engineering Training (PROSPECT).

(2) Value Engineers are encouraged to become Certified Value Specialists and should attend the training necessary to achieve that certification. Value Engineers should also attend the SAVE International and Federal Facilities Value Engineering Conferences to maintain their technical expertise.



PETER T. MADSEN
Brigadier General, U.S. Army
Commanding

6 Appendices:

- APP A - Memorandum, CEMP-E/CECW-E, 156 April 1996, Subject: U.S. Army Corps of Engineers Value Engineering Program.
- APP B - Responsibilities of the South Pacific Division Value Engineer
- APP C - Responsibilities of the District Value Engineer
- APP D - Value Engineering Goals
- APP E - Value Engineering Change Proposals Submitted by Contractors and Value Engineering Proposals submitted by Corps Employees
- APP F - Memorandum CESPD-ET-EW, 14 March 2000, subject: Implementation of Value Engineering for MILCON Projects funded by MCA, UMMCA and AFH Appropriations with Memorandum DAIM-FD/CEMP-MA, 20 Jan 2000, subject: Revised Guidance for Procedures and Approval of Changes to MILCON Projects Funded by MCA, UMMCA and AFH Appropriations as an attachment.

DISTRIBUTION:

(Electronic Copy Available)

CESPD R 11-1-3
App A
22 September 2000

APPENDIX A

MEMORANDUM, CEMP-E/CECW-E, 156 APRIL 1996, SUBJECT: U.S. ARMY CORPS OF
ENGINEERS VALUE ENGINEERING PROGRAM.



REPLY TO
ATTENTION OF:

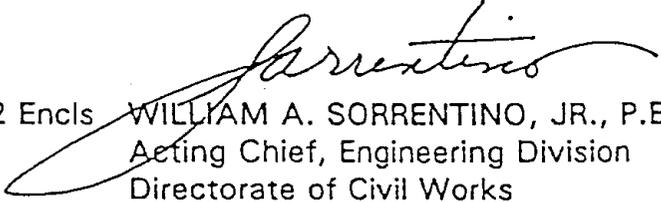
CEMP-E/CECW-E

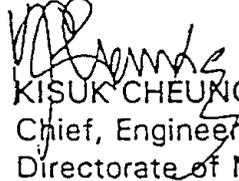
15 April 1996

MEMORANDUM FOR COMMANDER, MAJOR SUBORDINATE COMMANDS

SUBJECT: U.S. Army Corps of Engineers Value Engineering Program

1. The purpose of this memorandum is to update Corps MSC on current Value Engineering laws, policies and regulations. A bibliography of the subject guidance is enclosed (enclosure 1). A portion of P.L. 104-106, which amends the Office of Federal Procurement Policy Act to legislate that each executive agency establish and maintain a Value Engineering Program is enclosed (enclosure 2).
2. If you have any questions or need additional information, please contact Mr. Ted Dahlberg, (202) 761-8738.

2 Encls  WILLIAM A. SORRENTINO, JR., P.E.
Acting Chief, Engineering Division
Directorate of Civil Works

 KISUK CHEUNG, P.E.
Chief, Engineering Division
Directorate of Military Programs

VALUE ENGINEERING BIBLIOGRAPHY
9 April 1996

- 8 Mar 96 Memo to MSC STANLEY G. GENEGA, Major General, Director of Civil Works. Forwarded Civil Works Goals and Policies.
- 26 Feb 96 Memo to MSC ALBERT J. GENETTI, JR., Major General, Director, Military Programs. Forwarded Military Programs VE Goals and Policies.
- 10 Feb 96 Public Law 104-106, Section 4306. Amended the Office of Federal Procurement Policy Act (41 U.S.C. 401 et seq.) to require each executive agency to establish and maintain Value Engineering.
- 26 Apr 95 Memo Defense Finance and Accounting Service (DFAS) to HQUSACE Bruce Carnes, Deputy Director for Resource Management. Formally requested VE on all DFAS projects.
- 27 Jan 95 Memo to MSC PAT M. STEVENS IV, Major General, Director Military Programs. Noted Army MCA deficit of \$60 million; Stated that requests to advertise Military Construction Army (MCA) projects with CWE above PA must include Certification of VE, including analysis of recommendations that were proposed but not incorporated into design, including reason for rejection.
- 23 Dec 94 Memo to MSC ARTHUR E. WILLIAMS, Lieutenant General, Commanding. Requested that MSC support VE; Cautioned that VE remain strong through any streamlining.
- 18 Aug 94 Memo to MSC ARTHUR E. WILLIAMS, Lieutenant General, Commanding. Noted Congressional inquiry. Requested MSC to take steps to encourage Contractor partners to participate in Value Engineering Change Proposals (VECP) Program.
- 10 Dec 93 Memo to MSC ARTHUR E. WILLIAMS, Lieutenant General, Commanding. Forwarded OMB Circular A-131.
- 9 Oct 92 Memo to MSC ARTHUR E. WILLIAMS, Lieutenant General, Commanding. Transmitted ER 5-7-1, Project Management; Pages 1-5, 2-A-6, 2-A-7, 3-A-2, 3-A-7, 4-E-1, 4-E-2, 5-6, 5-D-1 require VE on ALL projects.
- 17 Nov 86 Public Law 99-662, Section 911 (Water Resource Dev. Act of 1986). Requires VE on each Water Resources project which has total cost in excess of \$10,000,000

CESPD-R-11-1-3
APP A
31 JULY 1997

PUBLIC LAW 104-106—FEB. 10, 1996

NATIONAL DEFENSE AUTHORIZATION ACT
FOR FISCAL YEAR 1996

Public Law 104-106
104th Congress

An Act

To authorize appropriations for fiscal year 1996 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, to reform acquisition laws and information technology management of the Federal Government, and for other purposes.

Feb. 10, 1996
[S. 1124]

National Defense
Authorization
Act for Fiscal
Year 1996.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "National Defense Authorization Act for Fiscal Year 1996".

SEC. 2. ORGANIZATION OF ACT INTO DIVISIONS; TABLE OF CONTENTS.

(a) DIVISIONS.—This Act is organized into five divisions as follows:

- (1) Division A—Department of Defense Authorizations.
- (2) Division B—Military Construction Authorizations.
- (3) Division C—Department of Energy National Security Authorizations and Other Authorizations.
- (4) Division D—Federal Acquisition Reform.
- (5) Division E—Information Technology Management Reform.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Organization of Act into divisions; table of contents.
- Sec. 3. Congressional defense committees defined.
- Sec. 4. Extension of time for submission of reports.

DIVISION A—DEPARTMENT OF DEFENSE
AUTHORIZATIONS

TITLE I—PROCUREMENT

Subtitle A—Authorization of Appropriations

- Sec. 101. Army.
- Sec. 102. Navy and Marine Corps.
- Sec. 103. Air Force.
- Sec. 104. Defense-wide activities.
- Sec. 105. Reserve components.
- Sec. 106. Defense Inspector General.
- Sec. 107. Chemical demilitarization program.
- Sec. 108. Defense health programs.

Subtitle B—Army Programs

- Sec. 111. Procurement of OH-58D Armed Kiowa Warrior helicopters.
- Sec. 112. Repeal of requirements for armored vehicle upgrades.
- Sec. 113. Multiyear procurement of helicopters.

PUBLIC LAW 104-106—FEB. 10, 1996

110 STAT. 665

(4) The table of contents for the Department of Energy Organization Act is amended by striking out the items relating to part A of title VI including sections 601 through 603.

(5) The table of contents for the Energy Policy and Conservation Act is amended by striking out the item relating to section 522.

SEC. 4305. FURTHER ACQUISITION STREAMLINING PROVISIONS.

(a) PURPOSE OF OFFICE OF FEDERAL PROCUREMENT POLICY.—

(1) REVISED STATEMENT OF PURPOSE.—Section 5(a) of the Office of Federal Procurement Policy Act (41 U.S.C. 404) is amended to read as follows:

"(a) There is in the Office of Management and Budget an Office of Federal Procurement Policy (hereinafter referred to as the 'Office') to provide overall direction of Government-wide procurement policies, regulations, procedures, and forms for executive agencies and to promote economy, efficiency, and effectiveness in the procurement of property and services by the executive branch of the Federal Government."

(2) REPEAL OF FINDINGS, POLICIES, AND PURPOSES.—Sections 2 and 3 of such Act (41 U.S.C. 401 and 402) are repealed.

(b) REPEAL OF REPORT REQUIREMENT.—Section 8 of the Office of Federal Procurement Policy Act (41 U.S.C. 407) is repealed.

(c) OBSOLETE PROVISIONS.—

(1) RELATIONSHIP TO FORMER REGULATIONS.—Section 10 of the Office of Federal Procurement Policy Act (41 U.S.C. 409) is repealed.

(2) AUTHORIZATION OF APPROPRIATIONS.—Section 11 of such Act (41 U.S.C. 410) is amended to read as follows:

"SEC. 11. AUTHORIZATION OF APPROPRIATIONS.

"There is authorized to be appropriated for the Office of Federal Procurement Policy each fiscal year such sums as may be necessary for carrying out the responsibilities of that office for such fiscal year."

(d) CLERICAL AMENDMENTS.—The table of contents for the Office of Federal Procurement Policy Act (contained in section 1(b)) is amended by striking out the items relating to sections 2, 3, 8, and 10.

SEC. 4306. VALUE ENGINEERING FOR FEDERAL AGENCIES.

(a) USE OF VALUE ENGINEERING.—The Office of Federal Procurement Policy Act (41 U.S.C. 401 et seq.), as amended by section 4203, is further amended by adding at the end the following new section:

"SEC. 36. VALUE ENGINEERING.

41 USC 432.

"(a) IN GENERAL.—Each executive agency shall establish and maintain cost-effective value engineering procedures and processes.

"(b) DEFINITION.—As used in this section, the term 'value engineering' means an analysis of the functions of a program, project, system, product, item of equipment, building, facility, service, or supply of an executive agency, performed by qualified agency or contractor personnel, directed at improving performance, reliability, quality, safety, and life cycle costs."

31 JULY 1997

110 STAT. 666

PUBLIC LAW 104-106—FEB. 10, 1996

(b) CLERICAL AMENDMENT.—The table of contents for such Act, contained in section 1(b), is amended by adding at the end the following new item:

"Sec. 36. Value engineering."

SEC. 4307. ACQUISITION WORKFORCE.

(a) ACQUISITION WORKFORCE.—(1) The Office of Federal Procurement Policy Act (41 U.S.C. 401 et seq.), as amended by section 4306, is further amended by adding at the end the following new section:

41 USC 433.

"SEC. 37. ACQUISITION WORKFORCE.

"(a) APPLICABILITY.—This section does not apply to an executive agency that is subject to chapter 87 of title 10, United States Code.

"(b) MANAGEMENT POLICIES.—

"(1) POLICIES AND PROCEDURES.—The head of each executive agency, after consultation with the Administrator for Federal Procurement Policy, shall establish policies and procedures for the effective management (including accession, education, training, career development, and performance incentives) of the acquisition workforce of the agency. The development of acquisition workforce policies under this section shall be carried out consistent with the merit system principles set forth in section 2301(b) of title 5, United States Code.

"(2) UNIFORM IMPLEMENTATION.—The head of each executive agency shall ensure that, to the maximum extent practicable, acquisition workforce policies and procedures established are uniform in their implementation throughout the agency.

"(3) GOVERNMENT-WIDE POLICIES AND EVALUATION.—The Administrator shall issue policies to promote uniform implementation of this section by executive agencies, with due regard for differences in program requirements among agencies that may be appropriate and warranted in view of the agency mission. The Administrator shall coordinate with the Deputy Director for Management of the Office of Management and Budget to ensure that such policies are consistent with the policies and procedures established and enhanced system of incentives provided pursuant to section 5051(c) of the Federal Acquisition Streamlining Act of 1994 (41 U.S.C. 263 note). The Administrator shall evaluate the implementation of the provisions of this section by executive agencies.

"(c) SENIOR PROCUREMENT EXECUTIVE AUTHORITIES AND RESPONSIBILITIES.—Subject to the authority, direction, and control of the head of an executive agency, the senior procurement executive of the agency shall carry out all powers, functions, and duties of the head of the agency with respect to implementation of this section. The senior procurement executive shall ensure that the policies of the head of the executive agency established in accordance with this section are implemented throughout the agency.

"(d) MANAGEMENT INFORMATION SYSTEMS.—The Administrator shall ensure that the heads of executive agencies collect and maintain standardized information on the acquisition workforce related to implementation of this section. To the maximum extent practicable, such data requirements shall conform to standards estab-

APPENDIX B

RESPONSIBILITIES OF THE SOUTH PACIFIC DIVISION VALUE ENGINEER

1. Develop and sustain a Value Engineering program within the South Pacific Division.
2. Prepare and submit yearly work plans and quarterly progress reports to HQUSACE.
3. Serve as the value engineering technical expert on the South Pacific Division staff.
4. Brief the Commander and senior staff on the status of the value engineering program and provide recommendations for improvement.
5. Facilitate value engineering training within the South Pacific Division.
6. Monitor the requirements for, the administration of and the quality of in-house and A-E contracts to be used for formal value engineering studies.

APPENDIX C

RESPONSIBILITIES OF THE DISTRICT VALUE ENGINEER

1. Be a Special Assistant to the Commander and direct all aspects of the VE Program.
2. Develop and sustain an active and productive VE Program within the framework of existing applicable regulations.
3. Prepare annual work plan for value engineering studies. Calculate fiscal year goals and savings. Prepare and submit quarterly reports to reach division not later than 7 days after the end of each quarter.
4. Maintain a training program as required to assure that appropriate Government personnel are familiar with the principles and application of VE.
5. Maintain current attendance data of all district technical staff that have attended a 40-hour VE workshops and request all technical staff involved in project management, planning, design, and construction, GS-09 and above, to attend a 40-hour VE workshop within three (3) years of hiring.
6. Secure funding from Programs and Project Management Division and Construction Operations Division and manage funds for the various needs of the VE Program and VE related activities such as studies, Value Engineering Proposals and Value Engineering Change Proposals.
7. Screen VE proposals and provide for their review by the appropriate reviewing authority.
8. Promote active contractor participation throughout District boundaries and monitor the processing of construction contractor submitted VECP's.
9. Have Cost Engineering assist in the validation of all VE savings in excess of \$100,000. An audit will be requested, for any savings in excess of \$1,000,000, by the Internal Review Office, when ever possible.
10. Prepare ENG Form 4607-R (Value/Management Improvement Action), to report the validation of all approved savings upon construction award, and forward the completed form to higher headquarters for savings amounts of \$250,000 or greater.
12. Recommend adjustment of the District's VE goals, if necessary, during the fiscal year.

APPENDIX D

VALUE ENGINEERING GOALS

1. Study Goals. Goal is to study 100% of items requiring a study.
 - a. All Civil Works, Military Construction Army and Environmental projects with a construction cost of greater than \$2 million dollars require a value engineering study.
 - b. Civil Works O&M projects, acquisitions, supply, and service expenditures greater than \$1 million require a value engineering study.
2. Monetary Goals
 - a. Civil Works
 - (1) Construction General projects: 6% of placement
 - (2) Civil Works O&M: 0.8% of all projects, acquisition, supply and service expenditures.
 - b. Military Construction Army, 6% of construction contract awards, based upon the programmed amount.
 - c. Environmental projects: 6% of remedial action contract awards.
3. Training. Fifteen percent of the eligible untrained workforce should be trained each year.
4. Return on Investment: Goal is for savings after deductions for overhead, administration and direct cost to be 10 to 1.

APPENDIX E

VALUE ENGINEERING CHANGE PROPOSALS SUBMITTED BY CONTRACTORS AND
VALUE ENGINEERING PROPOSALS SUBMITTED BY CORPS EMPLOYEES

1. Value Engineering Change Proposals (VECP) Submitted By Contractors

a. Federal Acquisition Regulation, Parts 48 and 52 require contractors be given the opportunity to submit Value Engineering Change Proposals.

b. Districts shall develop procedures to encourage contractors to submit VECPs, evaluate and implement VECPs.

2. Value Engineering Proposals (VEP) Submitted by Corps Employees

a. Any division or district employee or group of employees may submit/initiate a VEP, which offers an alternative design solution or improved construction method that will result in a net savings to the Government and/or the project sponsor. The proposal must be applicable for a particular project and must be a detailed, written proposal, which is fully developed using systematic procedures and established Value engineering techniques.

b. VEP's shall include the following:

(1) A functional analysis of the design and a detailed description of the proposal indicating the differences between the original design and the proposed design.

(2) An analysis of the design that must be changed if the proposal is approved.

(3) A separate, detailed cost estimate for both the affected portion of the original design and for the proposed design. The identified savings should also be reduced by any estimated cost related to review, redesign, implementation and/or construction modification.

(4) If possible identify any other project that incorporated a similar VEP or design/construction solution.

(5) The proposal must be complete to the degree that it will be a "stand-alone" document, with as much detail as possible.

(6) SPD Form 183-R, Value Engineering Proposal should be used to submit and process and employee VEP. . The Value Engineer will provide this form as well as any assistance needed to prepare the VEP.

- c. All VEP's must be prepared on the employee's or group of employees' own time and submitted to the Value Engineer.
- d. The Value Engineer shall ensure that the VEP is complete and begin the review process. The proposal will be reviewed to determine acceptability.
- e. All valid VEP's shall be processed and evaluated regardless of the job responsibility of the employee(s) submitting the VEP, and regardless of whether it may be considered part of the employee(s) assigned duties. If the proposal is approved for implementation, the employee's immediate supervisor will make the determination as to whether the proposal is job related or not job related.
- f. The Value Engineer will prepare a memorandum to the employee(s) indicating the approval or disapproval of the VEP. If the proposal is not approved or is not implemented for any reason, a formal written response will be provided by Engineering Division for attachment along with the Value Engineer's correspondence which fully explains to the employee(s) why the proposal was not approved or implemented.
- g. Acknowledgment (Awards) for VEP's are processed by using the Incentive Awards Program (IAP) as set forth in AR 672-20 (Reference h).
- h. The actual savings to the Government, resulting from an approved and implemented VEP, does not occur until the project is awarded for construction. If the project is already under construction, savings occur when a modification to the contract is signed which addresses the change. VE awards cannot be issued until the VE savings to the Government have been realized. However, to provide timely recognition to employees involved in submitted, approved, and implemented VEP's during design, the award nominations should commence upon receipt of a notice that the VEP change has been incorporated into the design.

CESPD R 11-1-3
App F
22 September 2000

APPENDIX F

MEMORANDUM CESPD-ET-EW, 14 MARCH 2000, SUBJECT: IMPLEMENTATION OF
VALUE ENGINEERING FOR MILCON PROJECTS FUNDED BY MCA, UMMCA
AND AFH APPROPRIATIONS WITH MEMORANDUM DAIM-FD/CEMP-MA, 20
JAN 2000, SUBJECT: REVISED GUIDANCE FOR PROCEDURES AND
APPROVAL OF CHANGES TO MILCON PROJECTS FUNDED BY MCA, UMMCA
AND AFH APPROPRIATIONS AS AN ATTACHMENT.



REPLY TO
ATTENTION OF:

DEPARTMENT OF THE ARMY
SOUTH PACIFIC DIVISION, CORPS OF ENGINEERS

333 Market Street, Room 923
San Francisco, California 94105-2195

CESPD-ET-EW

14 MAR 2000

MEMORANDUM FOR

Commander, Albuquerque District
Commander, Los Angeles District
Commander Sacramento District

SUBJECT: Implementation of Value Engineering in the Revised Guidance for MILCON Projects Funded by MCA, UMMCA, and AFH Appropriations.

1. Reference, DAIM-FD/CEMP-MA memorandum dated 20 January 2000, subject: Revised Guidance for Procedures and Approval of Changes to MILCON Projects Funded by MCA, UMMCA, and AFH Appropriations.
2. The following implementation guidance is provided to implement paragraph 4.a. (3) of referenced memorandum:
 - a. Project Management will identify projects to be studied and coordinate with the District Value Engineer to ensure studies are performed as necessary.
 - b. The District Value Engineer will schedule the study, assemble the team (or contract as applicable), and request funding from HQUSACE for the value engineering study.
 - c. The MCS Value Engineer and the MACOM project manager will be invited to attend the study.
 - d. A copy of the draft value engineering study will be forwarded to the MSC Value Engineer and the MACOM project manager. Sufficient time shall be provided for review so as to ensure that the MACOM project manager can implement cost savings proposals if desired. The MSC Value Engineer will coordinate with the MACOM and provide consolidated comments to the District Value Engineer who will coordinate with the District Project Manager.
 - e. The MCS Value Engineer and MACOM project manager will be invited to any briefings or meetings where the proposals are being discussed with installation personnel.

CESPD-ET-EW

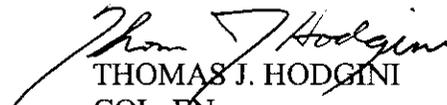
SUBJECT: Implementation of Value Engineering in the Revised Guidance for MILCON Projects Funded by MCA, UMMCA, and AFH Appropriations.

f. For those projects where the CWE remains above 95 percent of the PA, the district will provide to the MSC Value Engineer the rationale for the PA remaining above 95 percent. The MSC will then forward this information to HQUSACE.

3. Review procedures for the HQ SPD staff is provided for your information (enclosure).

4. Point of contact is the South Pacific Division Value Engineer, Joseph Hovell, CESPD-ET-EW, at (415) 977-8109.

Encl


THOMAS J. HODGINI
COL, EN
Acting Commander

Internal Division Implementation Procedures

- a. As part of developing the yearly Value Engineering Work Plan (listing of projects to be studied within the Division) the MSC Value Engineer will coordinate with Program Management to identify projects in the MCA, UMMCA and AFA programs which require study. (Note there is no minimum program amount to which this guidance applies. All UMMCA projects are to receive a value engineering study.)
- b. The MSC Value Engineer will work with the MSC Program Manager to encourage the use of Design Charrettes using the Value Engineering methodology.
- c. The MCS Value Engineer will work with the District Value Engineer to schedule these studies and advise the MACOM project manager of any upcoming studies.
- d. The MSC Value Engineer will attend Value Engineering Studies as part of the Division's Quality Management oversight.
- e. Upon receipt of a value engineering study the MCS Value Engineer will review the study and notify the applicable District Support Team and arrange for their review. Turn around time is to be less than one week. In the absence of the MSC Value Engineer the District Support Team leader will coordinate the review.
- f. The MSC Value Engineer will contact the MACOM project manager and discuss the proposals presented in the study. The MSC Value Engineer and the MACOM project manager will work with the district and installation to incorporate the proposals to the maximum extent practical.
- g. The final decision to incorporate or not incorporate the proposals will be made by the MACOM.

Enclosure



DEPARTMENT OF THE ARMY
ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT
600 ARMY PENTAGON
WASHINGTON DC 20310-0600

REPLY TO
ATTENTION OF

DAIM-FD/CEMP-MA

JAN 20 2000

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Revised Guidance for Procedures and Approval of Changes to MILCON Projects Funded by MCA, UMMCA, and AFH Appropriations

1. References:

a. AR 415-15, Army Military Construction Program Development and Execution, dated 4 Sep 98.

b. DAIM-FD memorandum dated 24 Aug 99, subject as above.

2. The purpose of this memorandum is to provide revised guidance for procedures and approval of changes to MILCON projects funded by MCA, UMMCA, and AFH appropriations. This memorandum supersedes reference *1b*.

3. The following conditions require revision to the current policy:

a. Based, in part, on a perception that contingencies were being used to upgrade projects, Congress made a general reduction to the FY 00 MCA program in the amount of \$47.5 million.

b. The Office of Secretary of Defense (OSD) has eliminated the entire 5-percent contingency for MILCON projects, FY 01 and beyond.

c. The deficit in the MCA account through FY 99 is \$30 million. This does not include the above Congressional and OSD directed cuts. The AFHC program is at a break-even point with virtually no prior year savings upon which to draw.

4. These conditions will seriously impact our ability to award critically needed MILCON projects and fund mandatory changes. In response, the following measures will be implemented immediately:

a. For all projects regardless of FY--

(1) The design current working estimate will not include contingency.

(2) Projects will be designed at full scope. The design current working estimate (CWE) target is 95 percent of the approved program amount (PA).

DAIM-FD/CEMP-MA

SUBJECT: Revised Guidance for Procedures and Approval of Changes to MILCON Projects Funded by MCA, UMMCA, and AFH Appropriations

(3) All projects will be aggressively value engineered to provide the approved scope at the lowest reasonable cost – even if the full scope CWE is below 95-percent of the PA. All value engineering (VE) studies will be reviewed by the USACE MSCs in coordination with the MACOMs. If the full scope CWE remains above 95-percent of the PA, VE reports will be forwarded to HQUSACE with the rationale for proposed actions. If a proposed award CWE cannot be reduced below the approved PA, the project will be considered for deferral and a source of funds for mandatory changes on other projects.

(4) After construction award, all discretionary (user requested) changes must be approved by HQDA (DAIM-FD).

(5) Increased use of the design-build procurement is strongly encouraged.

b. For all FY 00 and prior year projects, the field construction contingency will be funded at 1-percent of the unplaced balance of construction or \$100,000, whichever is less.

c. For future year projects, it is highly recommended that installations and MACOMs fund USACE districts to conduct planning charrettes. More precise definition of project scope and cost during planning will minimize project changes during design and construction.

5. The enclosed AR 415-15, Revised Appendix M (dated 7 Jan 00) reflects the newest guidance on approval of changes.

6. We enlist your cooperative support on this issue. We must continue to be judicious in our use of increasingly scarce MILCON resources to maximize mission effectiveness and to provide quality facilities for our soldiers, their families, and Army civilians.

7. OACSIM POC is Mr. Pete Tamin, DAIM-FDC, (703) 692-9207. HQUSACE POC is Mr. Howard Stickley, CEMP-MA, (202) 761-1995.



R.L. VAN ANTWERP
Major General, USA
Assistant Chief of Staff
for Installation Management



MILTON HUNTER
Major General, USA
Deputy Commander
for Military Programs

Encl
as

DAIM-FD/CEMP-MA

SUBJECT: Revised Guidance for Procedures and Approval of Changes to MILCON Projects Funded by MCA, UMMCA, and AFH Appropriations

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CF:

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