

Procurement & Property Division Policy Memorandum

Subject: Value Engineering Program			Number: 48-01
Distribution: ARS: PAO's PPD FD AAO's	Date: June 28, 2000	This Replaces: N/A	

Background

During fiscal year 1996, the Office of Management and Budget (OMB) directed USDA's Office of Inspector General (OIG) to audit the Agency's Value Engineering (VE) program for compliance with OMB Circular A-131. As a result, the OIG recommended that departmental agencies make an additional commitment to support the program and assign VE responsibility at an appropriate level.

Definition

VE is the formal technique by which contractors may (1) voluntarily suggest methods for performing more economically and share in any resulting savings or (2) be required to establish a program to identify and submit to the Government methods for performing more economically. There are two approaches to VE. The first approach relies on the contractor voluntarily using its own resources to develop and submit any Value Engineering Change Proposals (VECP's). The contract provides for sharing of savings, for payment of the contractor's allowable development, and implementation costs only if a VECP is accepted (FAR 48.101). The second approach is a mandatory program in which the Government requires and pays for a specific VE program effort. The contractor must perform VE of the scope and level of effort required by the Government's program plan and include as a separately priced item of work in the contract Schedule (FAR 48.101).

Policy Guidance

OMB Circular A-131, requires Federal agencies to use VE as a management tool to reduce program and acquisition costs.

The Office of Federal Procurement Policy Act (41 U.S.C. 401 et seq.) was amended in 1996 and now requires each Executive agency to establish and maintain cost-effective VE procedures.

Federal Acquisition Regulations (FAR) Part 48 establishes a \$100,000 threshold for the use of VE contract clauses. Contracting Officers (CO's) can insert the clause in contracts less than \$100,000 if authorized by the Chief of the contracting office. This authority is vested in Facilities Division (FD), Procurement and Property Division (PPD), and the Area offices as outlined herein.

Applicability

As prescribed in FAR 48, and OMB Circular A-131.

Commitment

The Department has required that each agency's Head of the Contracting Activity Designee (HCAD) make a commitment to VE and assign VE duties at an appropriate level within the organization. In furtherance of this commitment the following positions are responsible for providing contractors an incentive to develop and submit VECP's in appropriate supply, service, A/E and construction contracts.

FD - Chief, Facilities Contracts Branch

PPD - Chief, Contracts Branch and Procurement and Property Branch

BA - Procurement Assistance Officer

MSA - Area Procurement /Reality Specialist

MWA- Area Procurement Officer

NAA - Procurement Assistance Officer

NPA - Procurement Assistance Officer

PWA - Supervisory Procurement Analyst

SAA - Procurement Assistance Officer

SPA - Supervisory Procurement/Reality Specialist

Responsibility

CO's are responsible for assuring clauses are included in solicitations and contracts pursuant to FAR 48.2. All CO's must use the enclosed VE Check Sheet to determine the appropriate clause to use. "CO's must conduct an evaluation to determine if a proposal meets the validity requirements." To be valid the proposal must:

- C Originate voluntarily from the instant contract
 - C Require a contract change
 - C Reduce the actual costs
 - C Involve valid proposal changes
 - C Maintain essential functions or characteristics
 - C Include evaluation information
 - C Include time requirements
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PPD Point of Contact

Policy Branch, 301-504-1725.

Approved:

_____/s/_____
Richard G. Irwin, Director
Procurement and Property Division

Enclosure

Enclosure**APPLICATION OF THE VALUE ENGINEERING PROGRAM****CHECK SHEET**

Listed below are questions a CO should consider when determining whether to add solicitation and contractual coverage for VE efforts at \$100,000 or more.

1. Is the project an initial production contract for a major system program as defined in the Agricultural Acquisition Regulation (AGAR) Part 434? If yes, use a VE clause as prescribed in FAR 48.102(d)(1).
2. Is the project an initial major systems research and development contract? If yes, use a VE clause as prescribed in FAR 48.102(d)(1).
3. Is the project for research and development other than full-scale development? If yes, do not use a VE clause.
4. Is the contract for construction? Except for incentive type contracts, include a VE clause.
5. Are engineering services from not-for-profit or nonprofit organizations? If yes, do not add a VE clause.
6. Is the contract for personal services? If yes, do not use a VE clause.
7. Does the contract provide for product improvement or upgrades? If yes, do not use a VE clause.
8. Are you purchasing commercial products that do not require special packaging specifications or other special requirements? If yes, do not use a VE clause.