

APD ALERT



Value Engineering Program

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 price 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 Regulation (FAR) Part 48 requires contracting officers to insert a value engineering clause in solicitations and contracts expected to exceed the simplified acquisition threshold (SAT). Contracting Officers (CO's) may insert the clause in contracts less than the SAT if the potential for significant savings exists. This authority is vested in the three Business Service Centers (BSC), 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.

Eastern Business Service Center – Acquisition Branch Chief

National Capital Region Business Service Center – Acquisition Branch Chief

Western Business Service Center – Acquisition Branch Chief

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:

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

APD POINT OF CONTACT

If you have any questions regarding Value Engineering, please contact the Acquisition Programs and Oversight Branch (APOB), on 301-504-1725, or via e-mail at APOB@ars.usda.gov.

Enclosure

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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 expected to exceed the simplified acquisition threshold.

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 the engineering services from a not-for-profit or nonprofit organization? 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.