

Reclamation Manual

Directives and Standards

Subject:	Reclamation Value Program
Purpose:	Establishes the minimum scope and level of detail to ensure that line managers apply the Reclamation Value Program to all activities, consistent with applicable law, policy, and guidance. The benefits of this Directive and Standard are to ensure realistic budgets, identify and remove non-essential capital and operating cost, and improve and maintain optimum quality of program and acquisition functions.
Authority:	Public Law 104-106, Defense Authorization Act, Section 4306 – February 10, 1996; OMB Circular No. A-131, <i>Value Engineering</i> ; OMB Circular No. A-11, Part 7, <i>Planning, Budgeting, Acquisition, and Management of Capital Assets</i> ; Departmental Manual, 369 DM 1, <i>Value Engineering, General Criteria and Policy</i> ; Department of Interior's Value Engineering Guidance Handbook, No. VE-1; Department of the Interior Interim Value Analysis Policy; Reclamation Manual Policy <i>Reclamation Value Program</i> (CMP P05); Federal Acquisition Regulation (FAR), Title 48, Part 48, <i>Value Engineering</i> ; Part 52, <i>Solicitation Provisions and Contract Clauses</i> ; Part 31, <i>Contract Cost Principles and Procedures</i> ; Department of the Interior Acquisition Regulation, Part 48; Title 43, (Public Lands: Interior), Part 12, Subpart C, <i>Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments</i> ; Reclamation Acquisition Regulations, Part WBR 1448
Approving Official:	Director, Technical Service Center (TSC)
Contact:	Director, TSC (86-68000)

1. General.

- A. This Directive and Standard tells line managers how to meet the Reclamation Value Program goals and objectives, and describes specific management functions required to establish and maintain an aggressive value program as called for in OMB Circular A-131.
- B. The Reclamation Value Program goals, objectives, duties, and responsibilities are described in Reclamation Manual Policy, *Reclamation Value Program* (CMP P05). Supplemental details and guidelines for line managers are provided in the Reclamation Value Program Handbook which also contains guidance on how to conduct value studies. Value studies are the cornerstone of the program. Studies generate ideas that can improve performance, reliability, quality, safety, and reduce life cycle costs of almost everything an agency does.

Reclamation Manual

Directives and Standards

- C. Typically studies bring together, in a high performance team environment, five to seven people who are knowledgeable in the subject matter, but not previously involved with the specific activity being studied. The team collects relevant information, analyzes the functions of the activity, creatively generates functional alternatives, critically reviews the ideas, selects the best ideas, and develops and presents them to managers of the activity studied. This effort is usually accomplished in about 5 working days.
 - D. The terms Value Analysis (VA), Value Engineering (VE), Value Management (VM), and Value Planning (VP) are used here interchangeably.
 - E. The word activity, when discussing the subject of value studies, is synonymous with “program, project, system, product, item of equipment, building, facility, service, or supply” as defined in Public Law 104-106, section 36(b).
2. **Responsibilities.** This following address responsibilities and ways to satisfy each requirement.
- A. **Commissioner.** In Reclamation, overall responsibility and authority for the VE program rests with the Commissioner.
 - B. **Managers.** Meeting the Reclamation Value Program goals is a performance measure of the Commissioner and appropriate managers responsible for the mandatory VE program. Management responsibilities are:
 - (1) **Assign Program Responsibilities.** The Commissioner; regional directors (RDs); the Directors of offices located in Denver; the TSC Director; Contracting Officers (COs); Leadership Team; Area Office; Project, Program, and Group Managers; Client Liaisons; and Design Team Leaders have specific Value Program responsibilities by virtue of their normal job positions.
 - (a) Several other Reclamation employees are assigned specific Value Program duties and titles. The Commissioner assigns individuals to serve as the Responsible Senior Official (RSO) for the Reclamation-wide Value Program, and the Reclamation Value Program Manager (RVPM). RDs and Directors of offices located in Denver are required to:
 - (i) Designate senior staff members to chair and act as members of their Value Program Review Board, and
 - (ii) Designate an individual to serve as Value Program Coordinator (VPC) for each region and for the offices located in Denver.

Reclamation Manual

Directives and Standards

- (b) The RSO serves as the chair of the Reclamation-wide Value Engineering Review Board (VERB). Each RD and the Directors of offices located in Denver (or a Deputy Director if delegated) and the RVPM serve as the other VERB members.
 - (c) If individuals assigned to a Review Board or as Program Manager or Coordinator leave that office, the Value Program duties of that individual revert to the Director/Commissioner until a replacement is assigned. Review Boards will be composed of those individuals who head organizations that are responsible for implementing VE recommendations. Boards must consist of personnel having decision-making authority that allows immediate action to be taken on each VE proposal/recommendation presented before it.
- (2) **Budget for the Value Program.**
- (a) The Commissioner will budget sufficient funds to pay for all VE activities, including: VE staff; VE studies conducted by government personnel and/or Architect/Engineering (A-E) firms under contract; Value Engineering Change Proposal (VECP) processing; VE-related technical assistance; review of VE proposals; redesign to incorporate accepted recommendations; VE-related training; and incidental costs such as testing, travel, and professional activities related to VE.
 - (b) Directors (or Review Boards, if authorized by their Director) will include adequate funds for an aggressive Value Program in every annual budget, as called for in OMB Circular A-131. Program costs fall into two major categories, program management/administration activities and value study activities.
 - (c) Costs directly associated with program administration, including time, equipment and materials used preparing annual Value Program Plans, Value Program Summary of Action (VPSA) Reports and Value Program training must be budgeted as a part of annual budget requests and are typically charged to one or more policy and administration or indirect budget accounts.
 - (d) Costs directly incurred in the conduct of value studies, including study scheduling, set up, conduct, and study report preparation and production are typically charged directly to the activity studied.
 - (e) Money saved from VE efforts (subject to the program/project/activity (PPAs) appropriation language) will remain with the bureau/office to be used within discretionary authority as follows:

Reclamation Manual

Directives and Standards

- (i) fund authorized but underfunded or unfunded elements of the PPA where the VE savings accrued;
- (ii) fund other VE reviews within that PPA;
- (iii) fund authorized but underfunded or unfunded elements of another PPA through a reprogramming action;
- (iv) fund other VE program activities of another PPA through a reprogramming action if necessary; or
- (v) return surplus savings to U.S. Treasury.

(3) **Select Activities for Study.**

- (a) No later than September 30 each year, consistent with the budget process, each Director will identify all activities including all systems, products, items of equipment, buildings, facilities, services, or supply actions of \$1,000,000 or more for which procurement is expected in the next three fiscal years (BY, BY+1, BY+2). The Director will update this list at least semi-annually.
- (b) The Director will confirm that a minimum of one value study is scheduled and budgeted for each construction and operation and maintenance (O&M) procurement action of between \$1,000,000 and \$10,000,000, usually in the fiscal year prior to the year procurement is expected to take place. There is **no waiver authority** from the Department for construction or O&M actions of \$1,000,000 or more.
- (c) The Director will confirm that a minimum of two value studies are scheduled and budgeted for all construction and O&M procurement actions of \$10,000,000 or more. One study is to be conducted at the planning stage, and one study is to be conducted at the design stage.
- (d) The Director will confirm that value studies are scheduled and budgeted for all procurement actions not covered by (b) or (c) above of \$1,000,000 or more, unless it is documented that: (i) the return on investment is expected to be less than 5:1 over study and redesign costs or that improved processes or efficiencies may not be reasonably expected, and (ii) the activity is not over budget, and (iii) the study is not requested by management. If a study is shown to be unjustified, the Director will document that the conditions above apply to the procurement action and report the determination to not conduct the study promptly to the RVPM.
- (e) The activity manager will schedule each mandatory study to optimize the opportunity for the Value Method to be successful. Generally the earlier a

Reclamation Manual

Directives and Standards

study is conducted in the planning of a procurement action, the greater the opportunity for improvements to performance, reliability, quality, safety, and life-cycle costs. Frequently a study conducted for planning and a study conducted for design prior to award yield the best (maximum) benefits.

- (f) The activity manager, in consultation with the Coordinator and Review Board will determine the type of study to be conducted (VA, VE, VM, or and make an initial determination which studies are to be done in-house, by the TSC, and/or by A-E firms. All study types use a common value methodology, but differ in the detail to which the process is applied.
- (4) **Prepare a Value Program Plan of Action for the Coming Fiscal Year.** Each fiscal year, using information developed by/for the Director in Paragraph 2.B.(3)(a) above, the Coordinator will prepare a Value Program Plan of Action (VPPA) for review by the Board and approval by the Director. The VPPA includes the Value Program goals for the Director's office (minimum 4 percent Department/Reclamation goal, or higher, if so established by the RSO), the activities selected for study by the office, a schedule for completing the studies, and the training needs plan for the office.
- (a) The Director will send the approved VPPA to be received by the RVPM no later than September 1 each year. The Program Manager will consolidate the VPPA from the regions and offices located in Denver into a Reclamation VPPA and submit it to the RSO for review and approval.
 - (b) The RSO will send the approved Reclamation VPPA to be received by the Department's Value Engineering Program Manager (and a copy to the Commissioner) no later than October 1 each year. Upon request from OMB, the Department is required to send a VPPA to OMB for review.
- (5) **Provide Training in Value Program Techniques.** RDs and Directors of offices located in Denver will provide training in VE techniques to their staff responsible for coordinating and monitoring VE efforts and for staff responsible for conducting VE studies and developing, reviewing, analyzing, and carrying out VE proposals, change proposals, and evaluations.
- (a) As a minimum, Directors, Review Board members, Coordinators, RSO, and RVPM must carefully read RM CMP P05 and this Directive and Standard.
 - (b) As a minimum, all COs must carefully read FAR Part 48 and Clauses 52.248-1, -2, and -3; RM CMP P05; and this Directive and Standard.
 - (c) VPCs, RVPM, and Reclamation Value Study team leaders must have completed a 40-hour SAVE International certified Module I course, and must carefully read the Reclamation Value Program Handbook.

Reclamation Manual

Directives and Standards

- (d) Reclamation Value Study team leaders must also have completed a 24-hour SAVE International certified Module II course, the Reclamation Value Study Team Leader/Facilitator Course, and performed satisfactorily as a Reclamation Assistant Team Leader for no less than 8 days (two studies).
 - (e) A-E firm Value Study team leaders must have current SAVE International certification as a Certified Value Specialist.
- (6) Provide People, Resources and Budget for Studies.**
- (a) Typically 2 to 3 months before the conduct of a study (scheduled in the current Plan of Action or otherwise), the Coordinator will request the activity manager (or other individual(s) responsible for the activity to be studied) to prepare an activity description and to assemble pertinent background information for the study.
 - (b) The activity manager and Coordinator also discuss and agree on the study budget (using a Task Based Estimate, service agreement, Task Order or other budget documents, as appropriate). They discuss and agree on the number of team members and team member disciplines, and may even prepare a list of preferred individuals.
 - (c) The activity manager and Coordinator will confirm with the Review Board whether the study will be done with government personnel, facilities, and materials or by an A-E firm already under contract or some combination of both.
 - (d) With the Board's guidance, the Coordinator and or activity manager will contact appropriate personnel to confirm that study personnel, facilities, and resources are available and arrange for the study to be conducted.
- (7) Review and Act on Study Proposals.**
- (a) Each Review Board must consist of personnel having decision-making authority that allows immediate action to be taken on each VE proposal/recommendation presented before it. The responsible activity managers document their decisions to approve, approve with changes, or to disapprove each of the study proposals in an Accountability Report to the appropriate Area Office, Project, or Program Manager for review and management's signature. The accountability report is due to the signatory 60 days prior to acquisition award or acceptance of services.

Reclamation Manual

Directives and Standards

- (b) The signatory forwards the accountability report and concurrences/nonconcurrences to the Coordinator for recording and submission to the RVPM 15 days prior to acquisition award or acceptance of services.
- (8) **Implementation.** The activity managers implement all approved value study proposals in a timely manner. In many cases, project redesign or activity reconfiguration may begin shortly after the formal study presentation, even before the accountability memorandum has been prepared. If the activity manager needs assistance from the Review Board to implement some proposals, the Review Board will provide management assistance in implementing proposals and recommendations.
- (9) **Promote and Process VECs.**
 - (a) Part 48 of the FAR requires Federal agencies to promote and process VECs in all specified contracts they award. This Part encourages contractors to submit VECs and requires COs to quickly process the proposals with the support of technical personnel in the agency.
 - (b) COs will notify their Coordinators and Review Boards of all planned contracts of \$1,000,000 or more; promote contractor participation under the contract VE Incentive Clause; ensure the Incentive Clause is included in all applicable contracts; coordinate with their Coordinator to process contractor VEC; and report VEC results annually to the Coordinator.
- (10) **Prepare a VPSA for the Fiscal Year Just Ended.**
 - (a) Coordinators will prepare VPSA reports for their Board's review and Director's approval. The Director will submit the VPSA to be received by the RVPM no later than November 15 each year. The Coordinators will consolidate information for studies done in-house, by A-E firms, and by the offices located in Denver, and for VECs processed by all COs responsible for acquisitions within the Director's offices.
 - (b) The RVPM will consolidate the summary reports from all regions and offices located in Denver for review and approval by the RSO. The RSO will send the approved Reclamation VPSA to be received by the Department's Value Engineering Program Manager (and a copy to the Commissioner) no later than December 15 each year.

Reclamation Manual

Directives and Standards

(11) Document Value Program Activities.

- (a) At a minimum, Coordinators will retain copies of Plans of Actions, value studies, VPSAs, Inspector General (IG) audit reports, and written responses to IG report findings to document an office's Value Program activities. Offices will keep selected other documents in organized files, and readily available that "validate the accuracy of agency reported value ... savings" or that demonstrate "the adequacy of agency ... policies, procedures and implementation of [OMB Circular A-131]."
- (b) The RSO is responsible for preparation and implementation of Reclamation directives, standards, and guidelines for the Value Program and determination of annual program goals.
- (c) As the need arises the RSO will notify the region and the Directors of offices located in Denver of changes in the Reclamation Value Program.

3. Available Resources.

A. **Handbook.** Supplemental details and discretionary guidelines are provided in the Reclamation Value Program Handbook which is available from Value Engineering Program Coordinators.

B. Web Sites.

- (1) Reclamation at <http://www.usbr.gov/valuprog/> provides additional information concerning the Value Program including recent VPSAs, Value Program contacts, and current versions of most reference documents, including the Handbook.
- (2) SAVE at <http://www.value-eng.org/> is an international value engineering organization.
- (3) MILES Value Foundation at <http://www.valuefoundation.org/> is a value engineering resources center.