

VALUE ENGINEERING PROGRAM

DPSC-HR

5 February 96

DPSCM 4155.37

FOREWORD

(Supplementation is permitted at all levels)

This manual provides guidelines for the operation and management of the Subsistence Value Engineering Program.

Questions and requests for information relating to the Subsistence Value Engineering Program may be obtained from:

Subsistence Value Engineering Program Manager
Readiness Business Unit *
Directorate of Subsistence
ATTN: DPSC-HRV *
2800 South 20th Street
Philadelphia, PA 19145-5099
Telephone:(DSN) 444-7904 *
Commercial (215) 737-7904 *

Users of this publication are encouraged to submit recommended changes and comments to improve this publication, through channels, to Directorate of Subsistence, ATTN: DPSC-HRV.

BY THE ORDER OF THE COMMANDER

BERNARD ARINSBERG
Chief, Administrative Support and
Base Supply Division
Office of Base Support Services

This DPSCM supersedes DPSCM 4155.37, APRIL 1993, and Change 1.

*Denotes Changes.

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I. REFERENCES

- A. DoD Handbook 4245.8-H, Value Engineering. *
- B. Federal Acquisition Regulation (FAR), Value Engineering (Part 48).
- C. DLAR 4140.21, DLA Value Engineering Program with DPSC Supplement. *
- D. DPSCM 4105.7 DPSC Contracting Policy Manual. *
- E. DLAM 1432.2, Incentive Awards.

II. PURPOSE AND SCOPE

This manual establishes procedures and assigns responsibilities for promoting effective participation in the Subsistence Value Engineering Program and is applicable to:

- a. DPSC Europe
- b. DPSC Pacific
- c. Readiness Business Unit, DPSC-HR
- d. Food Services Business, DPSC-HF
- e. Produce Business Unit, DPSC-HP
- f. Contracting and Production Support Office, DPSC-PH

III. POLICY

A. Value Engineering (VE) is an organized effort directed at identifying the necessary functions of a commodity or service, establishing values and achieving those functions at the lowest overall cost. VE is means by which unnecessary costs can be eliminated. VE should not detract from necessary quality, shelf life, handling, storage, transportation or other performance features.

B. Referenced documents establish the overall policy that VE methodology shall be utilized to eliminate unnecessary costs. Whenever DPSC resources assigned to the VE Program are utilized, savings associated therewith shall be reported. The savings will be reported as direct or indirect. VE savings are defined in reference I.C.

C. The Value Engineering Clause (FAR 52.248-1) shall be included in all contracts of \$25,000 or more, except as provided in FAR Subpart 48.201(a), and may be included in acquisitions of lesser value if the contracting officer foresees a potential for significant savings.

D. All personnel are expected to maintain a cost conscious approach and keep VE personnel apprised of actions effecting the cost of subsistence supplies.

IV. DEFINITIONS

A. Value Engineering (VE). A sequential process for systematically analyzing areas of functional requirements of DPSC systems, equipment, facilities, procedures, operations, maintenance and material to achieve the essential functions at the lowest total cost of effective ownership, consistent with requirements for performance, reliability, quality, maintainability, and safety. Terms such as value analysis, value control, value improvement, and value management are synonymous with the term VE.

B. Value Engineering Change Proposal (VECP). A proposal submitted by a contractor pursuant to the VE Clause cited in an active contract which, if implemented, results in a net life cycle cost reduction to the DoD and requires a contract modification.

C. Value Engineering Project. A VE project includes both the VE study and the resulting VE proposal(s).

D. Value Engineering Proposal (VEP). A specific proposal by DoD personnel for economic improvement through the use of VE techniques.

E. Value Engineering Savings.

1. Direct VE savings are those developed as a result of actual value engineering or value analysis by the VE office. An audit trail will be maintained and will describe the VE office effort. Direct VE savings are not reported where the VE office effort consists only of computation of savings and/or administrative handling and recording of the VE project.

2. Indirect VE savings are those developed by DPSC personnel who have been trained in and apply VE principles to develop the savings. An audit trail will be maintained and will include written evidence of the application of VE principles. VE office participation in indirect savings includes computation of savings and/or administrative handling and recording of the VE project.

3. Contractor VE savings are those developed as a result of an approved VECP submitted by a contractor. The audit trail will include the contractor proposal and all subsequent DPSC actions related to the VECP.

4. VE savings are not reported under the VE Program when:

a. The savings are of a routine recurring nature that result from other established programs which would have produced the same result without VE effort.

b. There is a record of a previous action for the same item where VE savings were claimed.

F. Value Engineering Study. A VE study is an analysis of an opportunity to achieve essential functions at minimum cost. The VE study is a purposeful approach using analytical techniques such as applicable phases of the VE Job Plan specified in reference I.A. A VE study may be conducted as a group effort by a mixed team of specialists from many disciplines or by an individual.

G. Implementation. References to implementation are used by DPSC-HRV to signify when a VE related change is made to the Technical Data Sheet (TDS) or Technical Data Summary Sheet (TDSS) for the applicable item and forwarded to the Contracting Element for inclusion in the solicitation/contract. The effective date of the contract is considered the implementation date. An approved VECP would not need a contract modification if the instant contract has already been satisfied. In this case, the change would be made to the next solicitation. The VE award payment is made after all cost elements of the proposal have been verified and the contractor share has been agreed on by both parties.

V. RESPONSIBILITIES

A. The Chief, Readiness Business Unit (DPSC_HR) is responsible for overall control and guidance of the Subsistence Value Engineering Program.

B. The VE Program Manager, Readiness Business Unit (DPSC-HRV) is responsible for:

1. Establishing the Subsistence VE policy under the general guidelines of reference I.C.

2. Coordinating all projects.

3. Assigning projects to appropriate organizations for review, development, evaluation and/or implementation.

4. Submitting required annual VE Plan to Engineering & Standardization, Headquarters Defense Logistics Agency, ATTN: MMLXE.

5. Submitting required quarterly savings reports through normal Management Information Systems channels to DLA, ATTN: DLA-MMLXE.

6. Providing DLA-MMLXE an information copy of VE studies and related proposals where validated savings are \$250,000 or more or where unit cost is reduced by 50 percent or more with

savings greater than \$100,000. Those VE actions with savings exceeding \$1 million should subsequently be forwarded to MMLXE for review of their validity before they are reported.

7. Assigning VE goals to Subsistence activities.
8. Assisting Contracting Officers when necessary.
9. Maintaining central files.

C. Commanders, DPSC-Europe, DPSC Pacific and Chiefs DPSC-HF, DPSC-HP and DPSC-HR are responsible for:

1. Assuring that an active and constructive Value Engineering Program is operational within their elements

2. Designating a VE coordinator to control and implement the VE Program within their elements (DPSC Europe & DPSC Pacific only).

3. Meeting assigned VE goals.

D. DPSC Europe & DPSC Pacific VE Coordinators are responsible for:

1. Training key representatives of major organizational elements and orienting and indoctrinating others as appropriate.

2. Establishing and chairing a VE Committee composed of representatives of major staff elements.

3. Scheduling meetings on a regular basis for review and analysis of current specifications and acquisition practices for potential VE savings; planning for promoting VE program within their respective element, and maintaining records of meetings to ensure follow-up actions on proposals discussed in meetings.

4. Aiding in developing in-house VEPs and reviewing VECs prior to submission to DPSC-HRV.

5. Submitting all VE projects to DPSC-HRV for processing.

6. Reporting savings resulting from locally implemented projects to the VE Program Manager (DPSC-HRV) on DPSC Form 4028 (Value Engineering Report). Initiator's name shall be annotated. Savings will be reported as indirect savings.

7. Promoting effective participation by all major organizational elements through interchange and dissemination of VE information.

E. Business Unit Item Managers are responsible for developing demand data representing the best estimate of projected *acquisitions for a 36 month period for use by the contracting *officer for approved VECs, to calculate the contractor's share *of VE savings when the lump sum method of payment is chosen.

F. Business Unit Contracting Officers, DPSC, and DPSC Europe and DPSC Pacific are responsible for:

1. Assuring that the Value Engineering Clause (FAR52.248-1) is included in appropriate solicitations/contracts.

2. Assuring that no VECs are accepted unless an active contract is cited, savings to the Government are indicated, and all provisions of the VE Clause are complied with.

3. Acknowledging receipt of VECs.

4. Forwarding VEC to VE Program Manager, DPSC-HRV.

5. Advising contractor of status of evaluation.

6. Notifying the contractor, in writing, when VECs have been approved or disapproved.

7. Making prompt payment for approved VECs.

8. Promptly implementing changes resulting from approved VECs. Changes arising from other proposals shall also be implemented promptly to preclude preparation and handling of repetitive proposals.

9. Notifying the Administrative Contracting Officer (ACO), if applicable, of all VE actions in a timely manner.

10. Complying with the VE requirements in References, paragraph I.D.

G. The Value Engineering Program Manager (DPSC-HRV) is responsible for maintaining this publication in a current status and reviewing it annually.

VI. PROCEDURES

A. Contracting Officers, DPSC, and DPSC Europe and DPSC Pacific shall:

1. Review each solicitation in excess of \$25,000 for appropriate inclusion of the Value Engineering Clause (FAR52.248-1) as directed by DPSC 4105.7.

2. Upon receipt of a contractor's VECP:

a. Acknowledge receipt or declination of acceptance as a VECP, in writing, within five work days.

b. Review the proposal for data required by FAR Clause 52.248-1(c), Value Engineering.

(1) Proposal must indicate whether it is submitted pursuant to the VE Clause or is offered to the Government gratuitously.

(2) Incomplete proposals shall be returned to the contractor with a request for additional data when information received is not in accordance with minimum requirements of FAR Clause 52.248-1(c).

c. Establish five days as maximum suspense date for coordination and forwarding to DPSC-HRV.

d. Advise contractor of status of proposal within 45 days from date of initial acknowledgement. If VECPs are not completed within 45 days, advise the contractor of reasons for the delay with information copies to the ACO and DPSC-HRV. Continue to advise contractor of status every 45 days, unless otherwise notified.

3. Forward all proposals (VEPs/VECPs) through the VE Coordinator (DPSC Pacific and DPSC Europe only) to Directorate of Subsistence ATTN: DPSC-HRV

a. Furnish as much data as possible concerning relevant cost, use, source, related correspondence, specific recommendations which clearly set forth a proposed change to an established requirement and ACO's/contracting officer's comments when applicable and available.

b. Attach copies of contracts/solicitations/modifications as applicable.

c. Well documented proposals will minimize the time required for evaluation; however, lack of information should not be a deterrent to submitting proposals or reports.

B. VE Coordinators, DPSC Pacific & DPSC Europe shall:

1. Monitor VE Program.

2. Review proposals (VEPs/VECPs) for completeness of data.

3. Forward proposals (VEPs/VECPs) to Directorate of Subsistence, ATTN: DPSC-HRV.

4. Report savings from locally implemented projects, when evaluation at higher level is not required, to VE Program Manager, DPSC-HRV, on DPSC Form 4028. DPSC-HRV, when requested, shall assist in preparing DPSC Form 4028.

5. Attach copy of DPSC Form 2822 (DoD In-House Value Engineering Proposal), contractor's letter or other pertinent information.

6. Identify the originator.

7. Report semi-annual progress on attaining assigned goal, training and meetings.

C. Subsistence VE Program Team, DPSC-HRV, shall:

1. Review proposals (VEPs/VECPs) immediately upon receipt.

2. Assign a control designation (numbered consecutively by fiscal year) which identifies all actions involving the project.

3. Review each VE proposal for accuracy and proper documentation.
4. Establish maximum suspense dates for coordination within DPSC as follows:
 - a. Three working days for VECsPs.
 - b. Ten working days for in-house proposals (VEPs).
5. Accomplish necessary follow-up action to assure compliance with the suspense date.
6. Coordinate the proposal with responsible specialists for evaluation and development within DPSC.
7. Initiate request for evaluation of proposal to specification preparing activity and make recommendations to appropriate element establishing the following suspense dates:
 - a. Fifteen calendar days for VECsPs.
 - b. Thirty calendar days for VEPs.
8. Upon receipt of evaluation results, advise the contracting officer or originating element of an approval/disapproval:
 - a. Within five working days of receipt of VECsPs.
 - b. Within twenty working days of receipt of VEPs.
 - c. When proposal is disapproved, furnish comprehensive reasons for disapproval.
 - d. When proposal is approved, forward data necessary for implementation to appropriate elements.
9. Initiate follow-up action on all proposals not completed within the allotted time.
10. Notify the contracting officer of reason for delay in VECsPs not completed within 45 days. DPSC-HRV will write the letter to the contractor for signature by the contracting officer.

D. Approved VECsPs.

1. VE Program Team, DPSC-HRV, shall:
 - a. Review the contractor's proposal for price reduction.
 - b. Coordinate with business unit contracting and supply elements with respect to unit costs and quantities.
 - c. Coordinate, as applicable, with DPSC business unit contracting and supply elements or DPSC Pacific and DPSC Europe with respect to collateral costs to the Government.
 - d. Coordinate with Office of Counsel (DPSC-GS) for legal aspects of reward share to contractor.
 - e. Recommend an appropriate contractor's reward share to the Contracting Officer.
2. On approved VECsPs involving over \$30,000 in estimated total payments, a review board composed of representatives of DPSC-HR and DPSC-GS shall examine the VECp and related cost data for appropriateness in all respects prior to forwarding the data regarding a suggested contractor's reward share to the contracting officer. The board will decide on whether to use the royalty method or the lump sum method of payment to the contractor for his share of VE savings after reviewing the details of each case. The DPSC Supplement to DLAR 4140.21 provides guidance in making this decision.
3. Contracting officers, DPSC and, DPSC Pacific and DPSC Europe shall upon approval of VECp:
 - a. Ascertain that sufficient funds are available for contractor's reward share. The contracting officer can determine the availability of funds required for such awards from DA Form 3953 (Purchase Request and Commitment) applicable to stock fund acquisition current at the time of the change to contract.
 - b. In the event sufficient funds are not available, request necessary funds from the Office of Comptroller (DPSC-RH).
 - c. Implement the changes to the instant contract within one work day.
 - d. Include the changes resulting from the proposal in subsequent contracts.

e. When approved VECP has been implemented and the lump sum method of payment has been agreed on, the Contracting Officer shall develop a Supplemental Agreement representing the appropriate reward share constituting payment in full for the adopted VECP. Supplemental Agreement shall contain a statement that the contractor's reward share as shown therein represents full payment of all amounts to which the contractor is entitled by virtue of approval of the VECP.

4. For publicity purposes, the contracting officer (or ACO when contract is administered by DCMD) shall make arrangements for photographing the presentation to the contractor submitting a significant VECP and obtain contractor's permission to publicize the presentation and VECP. Copies of photographs and permission statement shall be furnished to DPSC-HRV.

VII. AWARDS

A. Approved proposals determined to have required efforts over and above that which would be expected in the normal accomplishment of job duties or job responsibilities are eligible for cash awards in accordance with criteria set forth in the DPSC Value Engineering (VE) Awards Program, 25 Jun 92.

B. A letter of appreciation from the VE office is given to individuals who have submitted VE proposals.

C. Membership in the DLA Million Dollar Club will be granted to any DLA employee, other than VE staff members, who has developed or assisted in the development of one million dollars worth of VE savings subsequent to 1 Oct 76.