

Value Engineering: Reinvigorating the Practice in the Department of Defense

27th Annual National Defense Industrial Association Systems and Mission Engineering Conference

Mr. R. Chris DeLuca
Director, Specialty Engineering
Office of Systems Engineering and Architecture
Office of the Under Secretary of Defense
for Research and Engineering

Norfolk, Virginia
October 2024





Outline

- What is Value Engineering?
- Where have we been?
- What are we doing to reinvigorate the practice?



What Is Value Engineering?

- **Eliminate unnecessary costs and improve value**
- OMB Circular A-131: A systematic process of reviewing and analyzing the requirements, functions, and elements of systems, project, equipment, facilities, services, and supplies for the purpose of **achieving the essential functions at the lowest life-cycle cost** consistent with required levels of performance, reliability, quality, or safety
- **Increased value does not always result in cost reduction**



Other Motivations to Do Value Engineering

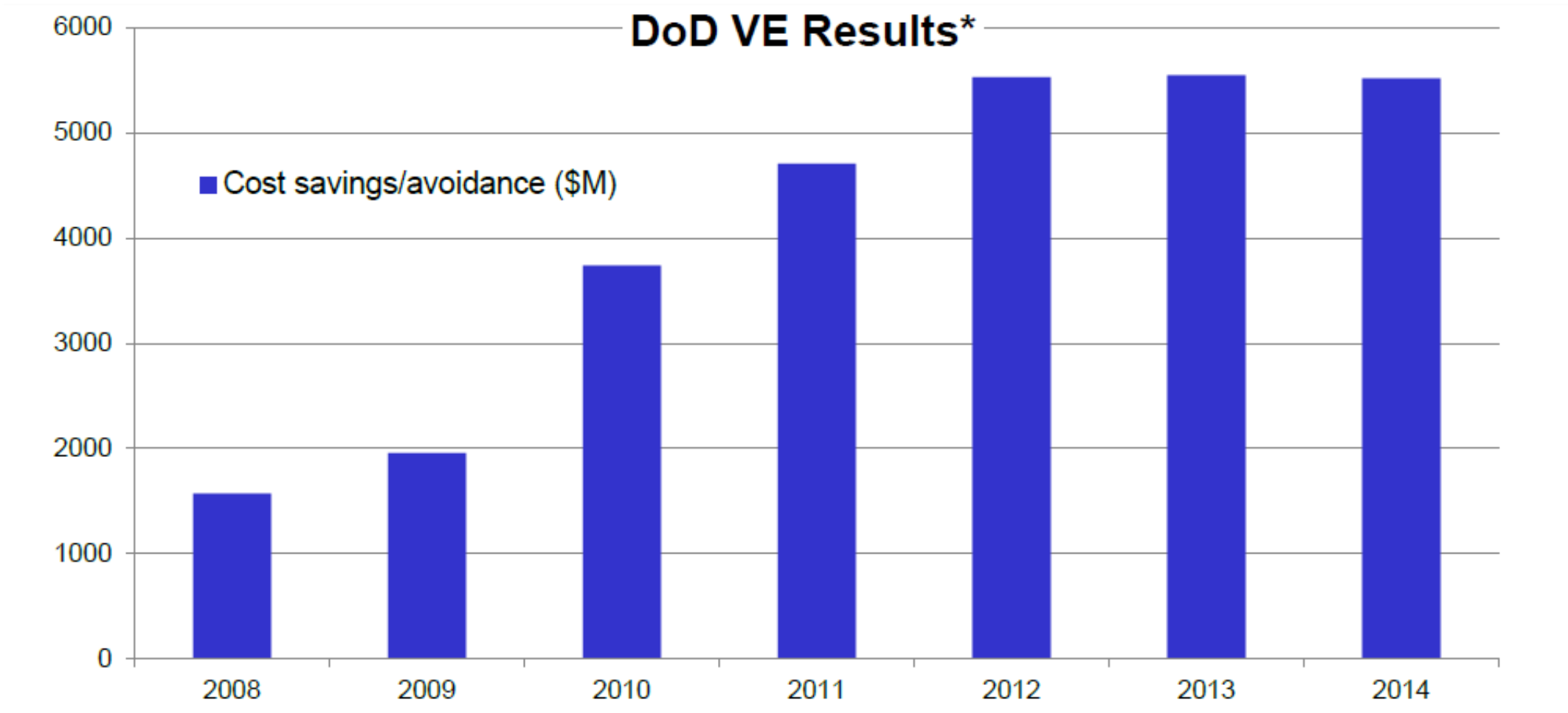
- The **Federal Procurement Policy Act** (41 U.S.C. 432, updated by 41 U.S.C. 1711, Jan 2011), **requires each executive agency** to establish and maintain cost-effective Value Engineering (VE) procedures and processes
- The Office of Management and Budget (OMB) Circular **A-131*** **requires Federal agencies** to consider the application of VE procedures to all procurements/projects where there is opportunity for improvement
- **DoD Instruction 4245.14** DoD Value Engineering (VE) Program** establishes policy, assigns responsibilities, and defines authorities for the effective administration of the two parts of DoD VE:
 - A **Government only program** that uses VE proposals (VEPs) to implement changes [sharing rates are not established for contractors performing VE services that result in Government-accepted VEPs]
 - A **Government-contractor program (Federal Acquisition Regulation Parts 48 & 52 – voluntary or mandatory)** mechanism that uses VE change proposals (VECPs) to implement Government-approved changes [sharing rates are established for Government-accepted VECPs]

* M-17-26 Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda suspended agency reporting requirements to OMB

** October 26, 2012, Incorporating Change 2, October 15, 2018



Where have we been?



* Report to the House Armed Services Committee, March 1, 2016



What has changed?

- Nothing formally changed except pausing mandatory reporting to OMB*
 - Informal cessation of oversight from and reporting to OSD (2019)
 - Informal cessation of the DoD VE awards program (2019)
- No institutional focus on incentivizing the value of Value Engineering
- New intent to reinvigorate the practice and share the good news

* M-17-26 Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda suspended agency reporting requirements to OMB



What are we doing to reinvigorate the practice?

- **Policy:** Update DoDI 4245.14 DoD Value Engineering (VE) Program (Fiscal Year 2025)
 - Delegates most Agency Senior Accountable Official (SAO) responsibilities to Component SAOs
 - Provides a mechanism for Component reporting of results
 - Re-establishes the VE Executive Steering and Management Advisory Groups
 - Re-establishes a **VE awards program**
- **Standardized Guidance:** Update SD-24 Value Engineering: A Guidebook of Best Practices and Tools (Fiscal Year 2025)
 - Focus on establishing VE programs across Business, Construction, and Defense Acquisition
 - More best practices and examples to guide successful implementation



Contact

Office of Systems Engineering and Architecture
osd-sea@mail.mil | Attn: Specialty Engineering
<https://www.cto.mil/sea/>