

VALUE ENGINEERING GUIDE

FOR

SOCIAL SECURITY ADMINISTRATION

CONTRACTORS

11/19/10

TABLE OF CONTENTS

	Page
TABLE OF CONTENTS.....	2
INTRODUCTION.....	3
ABBREVIATIONS.....	4
SECTION I	
WHAT IS VE?.....	5
SECTION II	
THE VECP. WHAT IS IT?.....	6
SECTION III	
TYPES OF VE PROVISIONS IN SSA CONTRACTS.....	8
SECTION IV	
THE BENEFITS OF SUBMITTING VECPS.....	9
SECTION V	
SHARING OF VECP SAVINGS.....	10
SECTION VI	
SUBMITTING VECPS.....	12
SECTION VII	
PREPARING VECPS.....	13
SECTION VIII	
GETTING ASSISTANCE IN PREPARING AND PROCESSING VECPS..	16
SECTION IX	
WHERE DO I SEND MY VECP?.....	17
SECTION X	
THE "PRELIMINARY" VECP. WHAT IS IT?.....	18
SECTION XI	
WHAT IF I HAVE A VE IDEA BUT DO NOT HAVE VE PROVISIONS IN MY CONTRACT?.....	19
SECTION XII	
SUBCONTRACTOR VE.....	20
SECTION XIII	
ADDITIONAL GUIDELINES FOR PRACTICING VE.....	21
SECTION XIV	
POTENTIAL VE APPLICATIONS.....	22
SECTION XV	
VE APPLICATIONS CHECKLIST.....	23
SECTION XVI	
A CONTRACTOR'S GUIDE FOR AN EFFECTIVE VE PROGRAM.....	24
APPENDIX NO. 1	
VE RESOURCES.....	26
APPENDIX NO. 2	
FAR REFERENCES.....	27

INTRODUCTION

The purpose of this Guide is to motivate you, the Social Security Administration (SSA) contractor, to practice Value Engineering (VE), and to provide information and suggestions that contribute to the effectiveness of your VE efforts. We designed the Guide to answer your basic questions concerning the What - Why - When - Where - Who - and How of VE.

There are two parts of the VE equation. Our in-house VE effort is one part. We strive to maintain effective administrative and service operations while minimizing costs. The other part is yours. By submitting a Value Engineering Change Proposal (VECP), you will help control costs by proposing to eliminate or modify any work elements that are not necessary to meet the functional requirements of the contract.

The VECP process allows you to deliver a more suitable product, system, or service, while improving your profit base. Improved profitability is achieved by sharing in the cost savings resulting from VE changes to your contracts. VE may also give you a competitive advantage in the marketplace and enhance your reputation as a quality, cost-conscious company.

The Guide is not intended to make you an expert on VE principles or techniques. It will rather assist you in preparing and submitting a VECP. The more knowledge, understanding, and care you apply to the VECP, the more effective it will be. We are seeking your VECP and will promptly evaluate it in accordance with all pertinent contract clauses and Federal Acquisition Regulation (FAR) provisions.

This Guide is *not* designed to address the special VE requirements for architect-engineer (A&E) contracts. When an A&E contract requires a VE effort, you must submit a Value Engineering Proposal (VEP) rather than a VECP, and we must pay you a pre-established amount for your VE services rather than a share of any resulting cost savings. Refer to FAR 48.102(h), 48.201(f), and 52.248-2.

ABBREVIATIONS

A&E	Architect-Engineer
CO	Contracting Officer
FAR	Federal Acquisition Regulation
FFP	Firm Fixed Price
GFP	Government-Furnished Property
Prime	Prime Contractor
Sub	Subcontractor
VE	Value Engineering
VECP	Value Engineering Change Proposal
VEI	Value Engineering Incentive
VEPR	Value Engineering Program Requirement

SECTION I

WHAT IS VE?

VE is a systematic and creative methodology that analyzes the function of items, services, or systems to ensure that the required functions are performed at the lowest possible overall cost. (Overall cost includes the cost of buying, operating, and supporting the item, service, or system). VE is performed to eliminate or modify any element contributing to the overall cost that is not necessary to maintain the required performance and quality.

As used in SSA, VE is synonymous with other value improvement terms such as Value Analysis, Value Control, and Value Management. While minor technical differences may exist among these terms, the basic objectives and philosophy remain the same. As a management discipline, VE has been successfully applied across the entire spectrum of the acquisition process. Its application is not and should not be limited by the term "engineering" to hardware design and production. Application of VE may be to systems, equipment, facilities, procedures, methods, software, supplies, and the like.

You may contact the VE-related organizational resources listed in Appendix No. 1 to learn VE methodology. They are experts in the field.

SECTION II

THE VECP. WHAT IS IT?

A Value Engineering Change Proposal (VECP) is your proposal to change a contract in accordance with applicable VE contract provisions. If accepted and implemented by SSA, the VECP will provide SSA with overall cost savings. The VE clauses in contracts prescribe that you share substantially in the savings that accrue from implementing the change. In other words, the VECP provides the means to lower our acquisition costs while generating financial gain for you. The VECP is a management tool for us both.

You may generate a VECP without fully applying formal VE analysis. We will give this proposal the same consideration and, if approved, the same savings share as those resulting from using recognized VE methodology. (Note that companies that use specialized VE teams to apply formal VE methodology are better able to maximize their VE payoff. For these companies, funds resulting from their shares of the VE savings become an important part of their profit structure.)

You may apply seven basic elements in VE methodology from the component level up to and including entire systems. In specific cases, you may consider some of the elements as "givens." You may not have to rigidly follow the elements in sequence. In many cases, your employees who are familiar with the service or function may perform one or more of the analytic elements intuitively. The VE elements are:

(a) *VE project selection.* VE project selection is the choice of system, service, hardware, component, requirement, etc., for VE application and provides the answer to the question, "What is it?"

(b) *Determination of function.* Determination of function is the analyzing and defining of the function of the selected VE project that answers the question, "What does it do?" The analysis may even question the function itself.

(c) *Information gathering.* Information gathering is the collection and assembly of all necessary information on the selected VE item. This allows VE personnel to become intimately familiar with the item while answering the questions, "What does it cost?" and "What is this function worth?"

(d) *Developing alternatives.* Developing alternatives is the most important element of the seven. In many cases, companies have a ready-made "alternative" and find ways to apply it to achieve VE savings. However, the use of free imagination tempered with experience may develop the best ideas. In initial "brainstorming" sessions, all ideas should be duly recorded and considered. This element answers the question, "What else can perform this function?"

(e) *Analyzing alternatives.* Analyzing alternatives "weeds out" those ideas that are not technically or financially feasible. This permits the selection of alternatives for further feasibility testing based on the development of cost estimates and answers the question, "What is the cost of the alternatives?"

(f) *Feasibility testing and function verification.* Feasibility testing and function verification supports the determination that the selected alternatives can perform the required function and are technically feasible. A viable alternative must provide the essential functional performance and be capable of being implemented. This element provides answers to the questions, "Are the alternatives technically feasible?" and "Does the alternative provide the essential function?"

(g) *Preparing and submitting VECs.* Preparing and submitting VECs covers the final selection, documentation, and formal preparation of the alternative proposal. The VEC must be prepared and submitted in accordance with the requirements of the contract.

SECTION III

TYPES OF VE PROVISIONS IN SSA CONTRACTS

VE may be implemented in your contract through the use of one of two basic clauses, the VE incentive (VEI) clause or the VE program requirements (VEPR) clause. (You can find these clauses in FAR Part 52). Generally, the VEI clause is required in all contracts valued at \$100,000 or more (unless the contract falls under one of the six exemptions in FAR 48.201), and is the type of VE clause most commonly found in SSA contracts. The VEI clause may be included in contracts under \$100,000 if the contracting officer (CO) believes there is a potential for significant savings through VECs. Under this clause, VE is a voluntary effort, to be pursued at your option. However, if you participate in the VEI program by originating and submitting VECs, you will be rewarded for your ideas (if SSA adopts them) by sharing in the resulting savings. The sharing rate you receive is specified in FAR Part 48 and in the applicable VE clauses of Part 52. Please refer to Appendix No. 2 for all pertinent FAR clauses.

The VEPR clause requires that you establish a VE program and calls for the mandatory program to be included as a separately priced contract line item. The VEPR will specify a certain level of VE activity as well as the portion of the contract's scope of work to which it applies. Usually, the VEPR provisions are used in an attempt to reduce the cost of certain high-cost items or systems. Your share of savings for approved VECs originated under VEPR provisions is less than the share provided for voluntary VECs under the basic VEI provisions.

In some circumstances, a contract may contain both VEI and VEPR provisions. The VEPR can be directed to well-defined performance areas, and the basic VEI clause can be used to cover VECs on items not covered by the VEPR performance area. For VECs submitted on contracts containing both VEI and VEPR clauses, the CO decides whether a particular VEC falls within the purview of the VEI clause or, in the alternative, whether the VEC is covered by VEPR provisions.

The FAR contains various VEI and VEPR clauses for use in contracts for supplies or services, and construction. The sharing arrangement between SSA and you will vary with the contract type (fixed-price, incentive, or cost-reimbursement).

SECTION IV

THE BENEFITS OF SUBMITTING VECPS

There are many advantages to submitting VECPS. A direct benefit is that you, the SSA contractor, share in the cost savings that accrue from implementing the VECPS. VE becomes a corporate management tool for increasing your return on investment through proposed changes in contract specifications, purchase descriptions, or statements of work, without any decrease in the quality, reliability, performance, or maintainability of the items you are delivering.

In addition to rewards received from sharing in the savings on successful VECPS, contractors practicing VE in their day-to-day operations become extremely competitive by controlling the costs of various products and services and by improving the quality of those products and services. An active VE program also helps to establish your reputation as a cost-conscious company. These benefits are indirect but nonetheless very real. SSA gains also by obtaining its essential supplies and services with the minimum expenditure of tax dollars.

VECPS should identify savings that are substantial enough to justify your administrative effort and to make acceptance of the VECPS attractive to SSA.

SECTION V

SHARING OF VECP SAVINGS

Acquisition and collateral savings are the two basic types of savings that can be shared when a VECP is approved and implemented. The sharing arrangements discussed below relate to the typical firm fixed price (FFP) supply or service contract with VEI provisions.

Acquisition savings may be realized on the instant contract, concurrent contracts, and future contracts. The instant contract is the one under which the VECP is submitted. Concurrent contracts are those that you or other SSA contractors have for essentially the same item. Future contracts are those that will be awarded after acceptance of the VECP. If the VECP is accepted and implemented, you are entitled to a 50 percent share of any net acquisition savings over a three-year period.

In calculating net acquisition savings, your costs of developing and implementing the VECP and SSA's cost of implementation are taken into consideration. For audit purposes, you must identify and record your VECP development and implementation costs. Development costs are those incurred after you have decided to prepare a VECP and before SSA has accepted the VECP. Implementation costs are those incurred in implementing the change after the VECP has been approved. Your share of future contract savings may be paid as subsequent contracts are awarded or on a lump-sum basis when the VECP is accepted. The "lump-sum" method may be used only if both parties agree to it.

Where the benefits derived from collateral savings exceed the costs of tracking it, you and SSA may share in collateral savings as well. Collateral savings are those measurable net reductions in the SSA cost of operations, maintenance, logistics support, or Government-furnished Property (GFP), resulting from an accepted VECP. In some cases, a VECP may increase an item's acquisition cost and still result in substantial collateral savings. Your collateral share is 20 percent of the estimated collateral savings to be realized during an average 1-year period. This share cannot exceed the greater of \$100,000 or the value of the instant contract. We determine the amount of collateral savings.

Note: The sharing of savings varies with other types of contracts.

The VE clause for construction contracts provides for the sharing of instant and collateral savings only and the clause for A&E contracts does not provide for any sharing of savings.

As an alternative to the sharing arrangements described above, the FAR allows for a no-cost VECP settlement where you and the Government agree. You keep all savings from the instant contract and from its concurrent contracts. SSA keeps all savings from concurrent contracts with other firms, as well as all future and collateral savings. This minimizes the administrative costs to SSA and you associated with the negotiation of savings. Refer to Appendix No. 2 for the applicable FAR provisions on sharing mechanisms.

SECTION VI

SUBMITTING VECPS

When should VECPs be submitted? You may submit a VECP only under an active contract. VECPs originated during the early program stages normally generate greater savings because they are applicable to a larger number of units and implementation costs are not as great. As a program ages, the potential for savings decreases, but this does not rule out the application of VE. The potential savings must exceed the cost of developing and implementing a VECP for the VECP to be profitable. Potential savings are a function of the total quantity to be produced and the life cycle cost structure of the item. Viable VE opportunities may exist even late in a program's life. For example, accumulated program experience and data may indicate that testing is excessive or elements of a management reporting system are no longer applicable. These are all areas where VE savings are possible and may result in increased profits to you.

Areas of potential VE application may be identified in many ways. Personnel working on a program may have knowledge and experience that indicate a "better" way to do something, or this same knowledge and experience may help them recognize superfluous requirements. Also, some items in the SSA inventory are bought in large quantities on a regular basis. Due to advances in technology, materials and processes, the applicable specifications may be outdated. Items acquired on a repetitive basis to old specifications are good candidates for VE. Another area offering potential for VE is where you have an item designed and developed on a stringent schedule to meet urgent requirements. Under these conditions, the designers may have incorporated the "old reliable" components or subsystems into the design simply because time would not permit qualification of an improved substitute. However, a newer, less expensive, and more reliable alternative may now be available. Whenever this situation exists, submitting a VECP to incorporate the newer, improved component or subsystem should be considered.

SECTION VII

PREPARING VECPs

The likelihood of the VECP being approved by SSA is largely proportional to the effort applied to developing it. Therefore, you must present sufficient information so that SSA may conduct a thorough and timely evaluation. Failure to provide adequate data will result in requests for additional information or may possibly result in a rejection of the VECP. The approach you use in submitting a proposal in response to a solicitation should be used in preparing a VECP. The following is the minimum information needed in your VECP:

(a) Describe the difference between the existing contract requirement and the proposed requirement. List the advantages and disadvantages of each. Justify changes to the item's functions or characteristics. Describe the effect the proposed change will have on the item's performance and quality and include any pertinent objective test data;

(b) Itemize and analyze each contractual requirement that must be changed if the VECP is accepted and include any recommendations for changing specifications;

(c) Identify the item or task affected by the VECP;

(d) Provide a detailed cost estimate for both the old and proposed items and tasks. Make sure you account for your estimated development and implementation costs and include any costs attributable to subcontractors (subs);

(e) Provide a description and estimate of costs the Government may incur in implementing the VECP, such as test and evaluation and operating and support costs;

(f) Predict the collateral cost savings or increases that the Government would experience if the VECP is implemented;

(g) Identify the date by which a contract modification authorizing the VECP must be issued to obtain the maximum savings, and note any effect on the delivery schedule or contract completion date; and

(h) Identify earlier submissions of the VECP, giving the dates submitted, agencies involved, contract numbers, and previous actions by the Government, if known;

Preparing the transmittal letter for forwarding the VECP is an important step towards achieving success in the VE arena. The transmittal letter should state that the VECP is being submitted pursuant to the VE provisions of your contract; should serve as a "Table of Contents" for your VECP; and should briefly state the estimated price changes and nature of the proposed technical change, along with identifying where complete details can be found in the proposal. You should view the letter as a marketing document that highlights the VECPs technical benefits and overall cost reduction.

Normally, the Government has unlimited rights to use the data in a VECP. If your VECP contains information that you wish to restrict from use prior to SSA's approval, you should include an appropriate legend on each page or sheet of the VECP. The FAR language for supply/service contracts for this legend is, "These data, furnished under the Value Engineering clause of contract, shall not be disclosed outside the Government or duplicated, used or disclosed, in whole or in part, for any purpose other than to evaluate a value engineering change proposal submitted under the clause. This restriction does not limit the Government's right to use information contained in these data if it has been obtained or is otherwise available from the Contractor or from another source without limitations". The VE clauses for A&E and construction contracts contain similar language. Refer to Appendix No. 2 for the relevant FAR provisions. If and when the VECP is approved, SSA usually will retain the right to use any and all data contained in the VECP and its supporting documents.

If the VECP contains proprietary data you wish to restrict even if SSA approves the VECP, include a statement to that effect in your transmittal letter. You should mark the proposal with an appropriate limited rights legend and explain in the proposal the basis for asserting limited rights. The contract modification implementing the VECP should specify the limited rights that the Government has accepted. You should realize, however, that a VECP that results in a "sole source" condition for future acquisitions may not be as readily accepted as one that does not impose this restriction on sources.

The proposal should contain enough information and support so that it will answer all reasonable questions the evaluator might have. Keep in mind that you are trying to sell your idea. If you provide insufficient information, our evaluator may determine that

you have not thoroughly investigated all areas or that you are withholding negative aspects. To avoid this, submit a carefully prepared VECP initially.

Please make sure that your VECP meets all of the above requirements. Review the VECP and ask yourselves the following questions:

(a) Does the contract contain VE provisions? If not, see Section XI, "What if I Have a VE Idea but do not Have VE Provisions in my Contract?"

(b) Is this really a VECP? Is SSA's approval needed to implement this idea? If so, will there be a reduction in cost to SSA on this contract, on concurrent or future contracts, or in the collateral area?

(c) Does the VECP contain all of the information required by the VE clause in the contract?

(d) Does the VECP contain any data that should be restricted prior to approval? If so, has the "data restriction" language of the FAR been marked on all sheets containing such data? If proprietary data are involved, has the proprietary data been identified using the appropriate limited rights legend?

(e) Has a transmittal letter been prepared? Will the letter help you sell the proposal, or will it hinder your prospects? And

(f) Does your VECP contain answers to all the questions that an SSA evaluator might ask? Is there any other supporting data that is needed to help the evaluation process along?

If you have answered all of these questions affirmatively, you are now ready to submit your VECP.

SECTION VIII

GETTING ASSISTANCE IN PREPARING AND PROCESSING VECPS

The CO is your exclusive point-of-contact for questions on the contractual aspects of specific VECPS and is responsible for decisions on the contractual implementation of particular VECPS.

If you have a technical question on a particular VECP, the CO will seek the advice of (or refer you to) the contracting officer's technical representative (COTR) for resolution. The COTR is the final authority for decisions concerning the technical adequacy of specific VECPS.

SECTION IX

WHERE DO I SEND MY VECP?

Submit your VECs to the CO. The CO has the exclusive authority to negotiate and contractually authorize the VECP.

SSA examines each VECP from a technical perspective (including a programmatic and logistics viewpoint). We try to advise you whether or not your VECP has been accepted from a technical standpoint within 45 days of receipt. If the VECP has been approved by the appropriate technical official(s), then the CO will strive to contractually authorize the VECP within another 45 days.

We will process your VECs as quickly as possible, but will not be held liable for any delays. It is ultimately the CO's decision to accept or reject some or all of the VECP. That decision is not subject to the Disputes clause in your contract or otherwise subject to litigation under the Contract Disputes Act of 1978, as amended. Refer to Appendix No. 2 for the applicable FAR clauses on the Government's evaluation of VECs.

SECTION X

THE "PRELIMINARY" VECP! WHAT IS IT?

A preliminary VECP is a vehicle for submitting an idea to the CO to get an indication of whether or not a "full-blown" VECP should be pursued. Furnishing a preliminary VECP would be beneficial if the development of the VECP would require risking significant funds. You would notify the CO that you believe VE might apply to a particular item, and would provide the approximate costs for developing the VECP as well as the estimated savings that might be achieved. The CO would then indicate whether the idea deserves additional study, or whether it should be dropped. You should be aware that an indication from the CO that the idea has potential does not guarantee that your formal VECP will be accepted. As with any VECP, there is the possibility that it might be rejected, and there is some element of risk involved. However, the idea behind preliminary VECPs is to reduce this risk so that you do not spend a lot of money on ideas that have little or no chance of being accepted by SSA.

Also be aware that submittal of a preliminary VECP does not establish ownership of a VE idea or a right to share in any resulting savings. This ownership is not established until a fully documented VECP is submitted. You should therefore weigh the risk of inadvertent disclosure of your idea to a competitor, against the risk of investing time and money for a VECP that is of little or no interest to SSA.

There is a provision in the FAR that allows the CO to require written notification (i.e., submittal of a preliminary VECP) before risking significant funds. (Please see Appendix No. 2 for the FAR reference.) If this requirement is not invoked, then your submission of preliminary VECPs is optional. However, submitting a preliminary VECP is advantageous to you in the following ways:

(a) It establishes a "Date of Record" for the development costs that you incurred in preparing the VECP; and

(b) Your risk is minimized in areas where the CO does not desire VE activity. If you submit a preliminary VECP, be sure to include the "data restriction" language of the FAR. (See Appendix No. 2 for the applicable FAR reference.)

SECTION XI

WHAT IF I HAVE A VE IDEA BUT DO NOT HAVE VE PROVISIONS IN MY CONTRACT?

If you have an idea for a VECP but your contract does not contain VE provisions, notify the CO of the situation. Ask the CO whether a VE clause would be appropriate for your particular contract. If the CO determines that it is suitable, then the CO will modify the contract to incorporate the applicable VE provisions. After we issue the modification, you may submit your VECP.

SECTION XII

SUBCONTRACTOR VE

The FAR requires the prime contractor (you) to extend VE provisions to its subs on contracts of \$100,000 or more, and permits VE clauses to be extended to subs on contracts of lesser value. (See Appendix No. 2 for the FAR reference.)

You may extend to your sub a percentage of whatever amount you receive as your share for a successful VECP. The sharing between is a matter of negotiation and should provide motivation for the sub to do VE and to submit VECPs to you. It should also provide you with a fair share, since you are responsible for putting a sub's VECP into the proper format and for "selling" it to the Government. Sub development and implementation costs and the sub's shares of instant contract savings are considered part of your development and implementation costs. Note that agreements made between the sub and you are not permitted to reduce the Government's share of concurrent, future, or collateral savings.

A sub may not submit a VECP directly to SSA. The sub should submit its VECP to you, and you should submit it to SSA.

SECTION XIII

ADDITIONAL GUIDELINES FOR PRACTICING VE

When you bid or price a contract and you have a VECP in mind, do not set your price with the expectation that SSA will automatically accept the contemplated VECP.

When submitting a VECP for SSA's approval:

(a) Do not initiate action to implement it unless the CO issues a formal contract modification authorizing the VECP. Until you are given a formal go-ahead, you must perform in accordance with the original contract;

(b) State a specific time period within which your VECP must be accepted or rejected; and

(c) Identify other similar or related contracts to which your VECP may apply.

When you decide to do a VECP, be sure to keep records of your development costs and require your subs to do likewise.

Be as accurate as you can in calculating your implementation costs and insist that SSA use accurate and complete data in calculating its implementation costs.

If and when your VECP is incorporated into the contract(s), maintain internal records identifying the first delivered item containing the VECP and place a note to that effect on the appropriate acceptance and payment documents.

Don't hesitate to submit a VECP that involves an SSA property right. Do exercise extreme caution when data rights of other parties are involved.

SECTION XIV

POTENTIAL VE APPLICATIONS

Potential VECP candidates abound. VECPs may be applied to all kinds of contract requirements from systems, facilities, and procedures to software, supplies, and equipment. For example, VECPs have been used successfully in the following areas:

- Construction;
- Logistics support;
- Facilities;
- Equipment maintenance;
- Management and financial control systems;
- Manufacturing processes;
- Material handling and transportation;
- Packaging, packing, and preservation;
- Procedures and reports;
- Publications and manuals;
- Quality assurance and reliability;
- Salvage, rejected, or excess material;
- Site preparation and adaptation;
- Software (computer) programs and flow-charts;
- Specifications and drawings;
- Technical, logistics, and management data; and
- Test procedures.

SECTION XV

VE APPLICATIONS CHECKLIST

You may want to consider the questions in (a) and (b) when applying VE to your contracts. This is offered as a guide, not a substitute for other proven VE techniques.

(a) *Materials*: Can you change the design to eliminate parts? Can you purchase the present design a lower cost? Can you use a standard part? Would an altered standard part be more economical? If the part is to improve appearance, is its presence justified? Is there a less costly part that will perform the same function? Can you change the design to simplify the part? Can you use a part designed for other equipment? Can you use a less expensive material? Can you reduce the number of different materials? Can you use any newly developed materials? Can you combine two or more parts?

(b) *Specifications and standards*: Can you change a specification to effect a cost reduction? Are inspection standards realistic? Is the present level of testing necessary? Can you eliminate redundant inspections or tests? Is the present level of packaging needed? Can you simplify the packaging? Is bulk packing possible? Is packaging arranged for lowest cost total material handling?

SECTION XVI

A CONTRACTOR'S GUIDE FOR AN EFFECTIVE VE PROGRAM

The following is a list of questions you may ask yourselves to determine the critical internal management attitudes and disciplines needed to run a successful corporate VE Program:

- (a) Do you set company goals for VECP income?
- (b) Are VECP goals established for line, department, and program managers?
- (c) Does top management review VECP income and approve VE operating goals and budgets?
- (d) Does top management consult with key customer personnel to agree on VECP goals on major contracts and programs?
- (e) Do personnel, such as marketing staff, work on the "VE team" and do they receive credit for approved VECPs or are they "penalized" due to decreased credit for reduced contract price?
- (f) Do your negotiators understand the VE provisions in the FAR?
- (g) Do you place VE sharing provisions in your subcontracts?
- (h) Is VECP income identified separately by your accounting people so that top management is informed of VE expenditures and receipts and can recognize VE's contribution to your company?
- (i) Do you assign resources to the development of specific VECPs? and
- (j) Do you have an efficient system for developing VECPs and do you obtain internal company approval prior to submittal to the Government?

(k) Have you improved your VE program through the formal training of the personnel involved? Do you conduct formal VE workshops to expand your in-house capabilities? Training is available on-site from private VE consultants and varies from straight classroom instruction to actual "hands on" in-house VE projects guided by the instructor. You may tailor this type of training to your needs.

APPENDIX NO. 1

VE RESOURCES

Various reports and other information on VE are available from the organization listed below. Contact them and request a list of available literature along with a price list.

SAVE INTERNATIONAL
136 South Keowee Street
Dayton, OH 45402
Phone (937) 224-7283
Fax (937) 222-5794
E-mail info@value-eng.org

APPENDIX NO. 2

FAR REFERENCES

VE SUBJECT	FAR SECTION
Scope of part	48.000
Definitions	48.001
General	48.101
Policies	48.102
Processing VECs	48.103
Sharing arrangements	48.104
Relationship to other incentives	48.105
Clauses for supply or service contracts	48.201
Clause for construction contracts	48.202
VEI clause for supply or service contracts	52.248-1
General information	52.248-1(a)
Definitions	52.248-1(b)
VECP preparation	52.248-1(c)
Submission	52.248-1(d)
Government action	52.248-1(e)
Sharing rates	52.248-1(f)
Calculating net acquisition savings	52.248-1(g)
Contract adjustment	52.248-1(h)
Concurrent and future contract savings	52.248-1(i)
Collateral savings	52.248-1(j)
Relationship to other incentives	52.248-1(k)
Subcontracts	52.248-1(l)
Data	52.248-1(m)
VEPR clause	52.248-1, Alt. I
Clause for both VEI and VEPR	52.248-1, Alt. II
VEI clause with no sharing of collateral savings	52.248-1, Alt. III

VE A&E	52.248-2
General	52.248-2(a)
Definitions	52.248-2(b)
Submissions	52.248-2(c)
VEP preparation	52.248-2(d)
VEP acceptance	52.248-2(e)
VE clause for construction contracts	52.248-3
General	52.248-3(a)
Definitions	52.248-3(b)
VECP preparation	52.248-3(c)
Submission	52.248-3(d)
Government action	52.248-3(e)
Sharing	52.248-3(f)
Collateral savings	52.248-3(g)
Subcontracts	52.248-3(h)
Data	52.248-3(i)
VE construction with no sharing of collateral savings	52.248-3, Alt. I