

Reclamation Manual

Policy

Subject:	Reclamation Value Program
Purpose:	Establishes goals and objectives for the Reclamation Value Program consistent with applicable directives, authorities, and guidelines, and defines the organizational responsibilities used to execute the program. The benefits of this Policy are to reduce program and acquisition costs, improve performance, enhance quality, and foster innovation.
Authority:	Public Law 104-106, National Defense Authorization Act For Fiscal Year 1996, Section 4306 – <i>Value Engineering for Federal Agencies</i> ; Office of Management and Budget (OMB) Circular No. A-131 (REVISED), <i>Value Engineering</i> ; Capital Programming Guide V 2.0, Supplement to OMB Circular No. A-11, Part 7: Planning, Budgeting, and Acquisition of Capital Assets, June 2006, Appendix 8 <i>Value Management</i> ; Department of the Interior Departmental Manual, 369 DM 1, Effective Date: 12/19/2008, <i>Value Analysis, General Criteria and Policy</i> ; Department of the Interior Acquisition, Assistance, and Asset Policy (DOI-AAAP), <i>Implementing OMB Circular A-131, Value Engineering</i> , December 2014; Department of the Interior’s <i>Value Engineering Guidance Handbook, No. VE-1</i> ; Federal Acquisition Regulation, Subchapter G – Contract Management, Part 48, <i>Value Engineering</i> ; Federal Acquisition Regulation, Subchapter H – Clauses and Forms, Part 52, <i>Solicitation Provisions and Contract Clauses</i> , Section 248.1-3, <i>Value Engineering</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> , 12.76 <i>Procurement</i> , Part 7
Approving Official:	Commissioner
Contact:	Senior Advisor, Design, Estimating, and Construction / Dam Safety Officer (DEC/DSO) (84-51000)

1. **Introduction.** Reclamation’s Value Program implements government-wide requirements defined in the Office of Management and Budget (OMB) Circular A-131 and Department of the Interior (Department) requirements defined in the Departmental Manual Part 369, Value Engineering, Chapter 1, General Criteria and Policy (DM 369-1).

The purpose of the Value Program is to support Reclamation’s mission of managing, developing, and protecting water, power, and related resources in an environmentally and economically sound manner by eliminating unnecessary costs, increasing organizational efficiency and effectiveness, increasing innovation and communication, and promoting the use of Value Analysis in Reclamation projects, programs, and activities (PPA).

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The Value Program provides the best value, defined as consistently performing the required basic function at the lowest life-cycle cost while maintaining acceptable levels of performance and quality for construction activities and administrative, operational, and procurement actions.

This policy details the responsibilities, goals, and requirements for Reclamation's Value Program. For supplemental information and guidelines, see Reclamation Manual Directives and Standards, *Reclamation Value Program* (CMP 06-01) and the Reclamation Value Program Handbook.

2. **Applicability.** This Policy applies to all Reclamation staff that are responsible for the implementation, administration, and execution of the Value Program in accordance with the Departments policies and procedures.
3. **Policy.**
 - A. Value Studies are required for all construction, maintenance, alteration, repair, rehabilitation, and renovation projects that have estimated costs (including force accounts) of \$1,000,000 or more. Projects that have an estimated cost between \$1,000,000 and \$10,000,000 shall have a minimum of one Value Study at the design stage. Projects that have an estimated cost of \$10,000,000 or more shall have a minimum of two Value Studies, one in the planning stage and one in the design stage.
 - B. Value Analysis (VA) Studies will be used on administrative, operational, and procurement actions whenever:
 - (1) The expected return on investment exceeds 5:1, or
 - (2) Improved processes or efficiencies may be reasonably anticipated, or
 - (3) The project is over budget, or
 - (4) Requested by management.
4. **General.** All Reclamation executives, managers, and supervisors (and their staff) share responsibility for successful execution of the Value Program. Value Program staff will assist Reclamation leadership to accomplish the program's goals and objectives.
 - A. **Commissioner.** The Commissioner exercises responsibility and authority for the Reclamation Value Program, and delegates the responsibility and authority to the Responsible Senior Official (see 4.C). The Commissioner establishes meeting program goals as a performance measure for directors and managers who are responsible for the Value Program.

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- B. **Senior Advisor, DEC/DSO.** The Senior Advisor, DEC/DSO is designated as Reclamation's Value Program Responsible Senior Official. The Senior Advisor, DEC/DSO is responsible for:
- (1) Administration of Reclamation-wide Value Program activities, including interagency contacts and cooperation, and designation of a Reclamation Value Program Manager.
 - (2) Preparation, implementation, and maintenance of Reclamation directives, standards, and guidelines for the Value Program.
 - (3) Determination of annual program goals.
 - (4) Meeting Reclamation-wide program requirements through the regions and the offices located in Denver.
 - (5) Accumulation and consolidation of Value Program performance data from regional directors (RDs) and the directors of offices located in Denver, and preparation and submission of reports required by the Department and OMB.
 - (6) Chairing the Reclamation-wide Value Analysis Review Board (VARB).
- C. **RDs and the Directors of Offices Located in Denver.** RDs and the directors of offices located in Denver are designated as the responsible officials for the Value Program for their organizations. They will actively execute the program by:
- (1) Designating senior staff members to chair and act as members of the Value Program Review Board (VPRB).
 - (2) Serving as the regional or the Denver office's representative to the Reclamation-wide VARB. This may be delegated to a deputy director or equivalent.
 - (3) Designating a Value Program Coordinator (VPC).
 - (4) Ensuring adequate budget and trained staff to support an effective Value Program.
 - (5) Ensuring that VA is applied to all programs, projects, and activities exceeding Department and OMB mandatory threshold values (Paragraph 5A detailed in Policy section).
 - (6) Submitting the annual Value Program Plan of Action and Value Program Summary of Action reports to ensure Value Program progress and compliance.

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D. **Managers.** Managers responsible for the planning, budgeting, designing, or execution of any action or activity where VA Studies are required, will ensure that the action is identified to the local VPC. They will:

- (1) Schedule and budget for required Value Studies in their annual action plan.
- (2) Recommend experts to serve on Value Study teams.
- (3) Provide information to the study team in sufficient detail to provide a basis for study of the concept.
- (4) Ensure that the study alternatives/proposals are reviewed promptly and objectively with client(s)/user(s) and implemented to the maximum extent possible.
- (5) Prepare and sign accountability reports to identify the anticipated savings and/or benefits of the fully or partially accepted study alternatives/proposals and/or indicate the rationale for rejecting the alternatives/proposals.
- (6) Verify with the contracting officer and the VPC that required Value Studies and accountability reports have been completed.

E. **Contracting Officer.** Contracting officers for procurement will:

- (1) Notify the VPC of all planned contracts over \$1,000,000 or more.
- (2) Promote contractor participation under the contract Value Engineering Incentive Clause.
- (3) Include the Incentive Clause in all applicable contracts.
- (4) Coordinate with the local VPC to process contractor Value Engineering Change Proposal (VECP).
- (5) Report VECP results annually.

F. **Review Boards.** Reclamation will establish and maintain a Reclamation-wide VARB, and each region and the directors of offices located in Denver will establish and maintain a VPRB as described below:

The Reclamation-wide VARB will review Value Program issues when deemed appropriate and necessary.

- (1) The regional and Denver VPRBs will:

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- (a) Act as the director's action team to ensure that VA is applied in Reclamation's PPA.
- (b) Review regional Value Program issues when deemed appropriate and necessary.
- (c) Provide management assistance in implementing alternatives/proposals.

G. Reclamation Value Program Manager. The Reclamation Value Program Manager will:

- (1) Develop, plan, direct, and coordinate the execution of the Reclamation-wide Value Program and provide recommendations for maintaining and improving the program.
- (2) Develop and assemble the annual Value Program Plan of Action, Value Program Summary of Actions, and other reports as requested.
- (3) Serve as the primary point of contact for Reclamation-wide and interagency Value Program activities and issues.
- (4) Develop, modify, improve, update, and implement Reclamation directives, standards, and guidelines.
- (5) Develop, plan, direct, and coordinate Value Program training.
- (6) Serve on the Reclamation-wide VARB and local VPRB.

H. Regional Value Program Coordinator and Reclamation Value Program Manager . One regional value program coordinator will be appointed for each region and for the offices located in Denver. The regional value program coordinator will:

- (1) Develop and assemble the annual Value Program Plan of Action, Value Program Summary of Actions including accountability reports, and other reports as requested within the region/Denver. Regional value program coordinators and regional VARB members will work with the Reclamation value program manager to document justification for project that receive waivers.
- (2) Serve as point of contact for local Value Program activities and issues.
- (3) Coordinate with the Reclamation value program managers about Value Program training.
- (4) Serve on the local VPRB.
- (5) Coordinate with the contracting officer on contractor VECs.

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5. Goals.

- A. The minimum savings goal is four percent of the aggregate value of all construction, maintenance, alteration, repair, rehabilitation, and renovation projects with estimated project costs over \$1,000,000.
- B. Although there is no specific savings goal for administrative, operational, or procurement activities, the VA shall be applied whenever there is potential for improvement, increased efficiency, or savings.
- C. The annual return on investment goal is 5:1 considering all Value Program costs and Value Study costs relative to reported savings/avoidance.

6. Definitions.

- A. **Activity.** Defined in Public Law 104-106, Section 4306, Section 36b, as program, project, system, product, item of equipment, building, facility, service, or supply.
- B. **Cost Avoidance.** As defined by the Department in DM 369-1 and OMB in Circular No. A-131. An action that is taken in the immediate time frame that will decrease costs in the future. For example, an engineering improvement that increases the mean time between failures and thereby decreases operation and maintenance costs is a cost avoidance action. Another example would be performing Value Analysis during the planning/schematic stages of a construction project. If a Value Analysis study reveals a different alternative that is lower cost and is consistent with project required performance, reliability, quality, and safety, then the change in estimated project cost constitutes cost avoidance. Cost avoidance is the cost differential between the proposed project configuration developed by the planning/formulation effort and the actual project configuration that is employed for development of project design and contract documents after Value Analysis has been performed.
- C. **Cost Savings.** As defined by the Department in DM 369-1 and OMB in Circular No. A-131. This is a reduction in actual expenditures below the projected level of costs required to achieve a specific objective. Examples of cost savings are revisions to the design and/or schedule of a funded project such that actual expenditure for the project is less than the amount that was planned to be expended, or a measurable reduction in personnel or administrative requirements needed to conduct a specific activity or project function. A funded project is a project that has been appropriated funds by Congress or that is supported by other funds, such as recreation fee dollars, and those funds have been allocated to the project.
- D. **Life Cycle Cost (LCC).** As defined by the Department in DM 369-1 and OMB in Circular No. A-131. The total cost of a system, building, program, project, facility, or other product computed over its useful life. It includes all relevant costs involved in acquiring, owning, operating, maintaining, and disposing of the system, project, or

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product over its useful life or other specified period, including environmental and energy costs. Economic analysis is used to determine LCC.

- E. **Program/Project/Activity (PPA).** As defined by the Department in DM 369-1. Any item specifically identified in tables or written material set forth in the Department and Related Agencies Appropriations Act or supporting budget document prepared by the Department.
- F. **Return on Investment.** As defined by the Department in DM 369-1. The ratio of the dollars saved through implementation of Value Study alternatives/proposals versus the cost of performing the Value Study or program (normally expressed as Return on Investment=\$10:\$1).
- G. **Value Analysis (VA).** Similar to Value Management and VA as defined by the Department in DM 369-1 and Value Engineering (VE) as defined by OMB in Circular No. A-131. A systematic process of reviewing and analyzing the requirements and functions of processes, systems, project, equipment, facilities, services, and supplies for the purpose of achieving the essential functions at the lowest life cycle cost consistent with required performance, reliability, quality, and safety. A multidisciplinary team made up of in-house agency personnel and/or by contractor personnel generally perform the process in a workshop environment. The term Value Management is often used when conducting VA Studies of administrative procedures, organizational structures, or management systems.

The VA process includes the following phases:

- (1) Information phase where the team gathers information to understand the project and constraints that may be impeding performance.
- (2) Functional analysis phase where the team identifies basic project functions and goals and identifies any performance shortcomings or mismatches between identified functions and customer needs for further study.
- (3) Creative phase where the team conducts brainstorming to generate new ideas and alternatives/proposals for improvement in a project, product, or process, with particular focus on high cost variables, speed of execution, quality, and performance.
- (4) Evaluation phase where the team ranks ideas to find the best to meet the project value objectives,
- (5) Development and presentation phase where the team develops the best ideas into viable alternatives/proposals with net life-cycle cost savings and implementation details and presents them to stakeholders.

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- (6) Implementation phase where the agency incorporates selected alternatives/proposals into the project.
- H. **Value Analysis Study.** Similarly defined by OMB in Circular No. A-131. The formal process of applying VA on an individual project or program. VA studies may be tailored to meet the individual needs of the project or program. For example, the level of effort for each phase of VA may be scaled, as appropriate, based on factors such as the cost or complexity of the project, the stage of project planning or development, and project schedule.
- I. **Value Engineering (VE) Study.** Similar to Design Stage Value Analysis as defined by the Department in DM 369-1. A VE Study occurs at the design stage when the design process and documentation is approximately 30-50 percent complete (design and contract documents are in draft form). A thorough review of existing design documents and plans identifies major asset components/systems and proposes changes for reasons of performance, reliability, quality, and value. The VE Study provides proposals to modify the design based upon VA principles.
- J. **Value Engineering Change Proposal (VECP).** As defined by the Department in DM 369-1 and OMB in Circular No. A-131. A proposal submitted by a contractor under the VE provisions of the Federal Acquisition Regulations Part 48 that, through a change in a project's plans, designs, or specifications as defined in the contract, would lower the project's cost to the Government. VE contract clauses are listed in Federal Acquisition Regulations 52. VECPs are applicable to all contract types, including contracts with performance-based specifications.
- K. **Value Planning (VP) Study.** Similar to Conceptual Stage Value Analysis and Planning Value Analysis as defined by the Department in DM 369-1. A VP Study occurs at the conceptual/schematic/planning stage of project development and considers project scope, need, and alternatives. A VP Study considers all the various solutions or alternatives available to meet the identified need and typically identifies the preferred alternatives. A VP Study improves scope definition and guidelines and principles for future development.
7. **Review Period.** The originating office will review this release every 4 years.

RECLAMATION MANUAL TRANSMITTAL SHEET

Effective Date: _____

Release No. _____

Ensure all employees needing this information are provided a copy of this release.

Reclamation Manual Release Number and Subject

Summary of Changes

NOTE: This Reclamation Manual release applies to all Reclamation employees. When an exclusive bargaining unit exists, changes to this release may be subject to the provisions of collective bargaining agreements.

Filing instructions

Remove Sheets

Insert Sheets

All Reclamation Manual releases are available at <http://www.usbr.gov/recman/>

Filed by: _____

Date: _____