



DEPUTY UNDER SECRETARY OF DEFENSE
3015 DEFENSE PENTAGON
WASHINGTON, DC 20301-3015

ACQUISITION AND
TECHNOLOGY

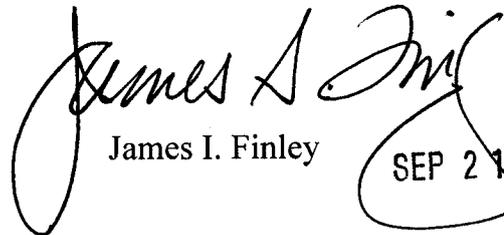
MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Value Engineering

To encourage continuous process improvement in contracts identified in subpart 48.2 of the Federal Acquisition Regulation (FAR), I am requesting your support in ensuring that your organization is implementing Value Engineering (VE) activities as required by statute, the FAR, and Office of Management and Budget (OMB) policy. Section 36 of the Office of Federal Procurement Policy Act (41 USC 432) states that "Each executive agency shall establish and maintain cost-effective value engineering procedures and processes." FAR Part 48 and the contract clauses at FAR 52.248-1 through 52.248-3 further delineate VE requirements. OMB Circular No. A-131 (attachment 1) requires Federal Departments and Agencies to use VE as a management tool, where appropriate, to reduce program and acquisition costs; it also assigns agency responsibilities and contains the format for reporting VE activities.

In the Department's VE strategic plan (Dec 03, attachment 2), USD (AT&L) established an annual cost savings and avoidance goal of 1.5% of total obligation authority. In Fiscal Year 2006, DoD reported \$1.6 billion in savings and cost avoidances through VE. Although this is a significant accomplishment, it is well below the established goal. With your help, I believe we can increase our reported VE savings and reach our goal in the next few years.

My POC for VE is Mr. David Erickson, 703-695-0472, david.erickson@osd.mil.


James I. Finley
SEP 21 2007

Attachments:

1. OMB Circular No. A-131, w/Atch
2. A Strategic Plan for Value Engineering in DoD



Distribution:

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cc:

Value Engineering (VE) Management Advisory Group (MAG) Members