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**Attachment 4: Value Engineering Program**  
**26 May 2010**

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## **1.0. Overview**

This Attachment to Section J of the USSOCOM ITSMP Request for Proposal (RFP) outlines USSOCOM's planned process for implementing the Value Engineering clause referenced in RFP Section (Contract Clauses), with regard to FAR 52.248-1 (VALUE ENGINEERING (FEB 2000)), incorporated by full text. This Attachment describes the planned USSOCOM Value Engineering process for the ITSMP contract.

## **2.0. Definitions**

Per FAR 52.248-1, "The Contractor is encouraged to develop, prepare, and submit value engineering change proposals (VECP's) voluntarily. The Contractor shall share in any net acquisition savings realized from accepted VECP's..."

Also, per FAR 52.248-1, "Value engineering change proposal (VECP)" means a proposal that--

(1) Requires a change to this, the instant contract, to implement; and

(2) Results in reducing the overall projected cost to the agency without impairing essential functions or characteristics; provided, that it does not involve a change--

(i) In deliverable end item quantities only;

(ii) In research and development (R&D) end items or R&D test quantities that is due solely to results of previous testing under this contract; or

(iii) To the contract type only.

The USSOCOM SITEC Value Engineering approach envisions a VECP as a proposal submitted by a contractor to the Government in accordance with the VE provisions of the contract. The VECP proposes a change which, if accepted and implemented by USSOCOM, provides an overall cost savings to the Government. The Value Engineering provisions in this contract permit the contractor to share in the savings which accrue from implementing the change. The VECP provides the means to lower defense costs while increasing the contractor's rate of return on investment.

## **3.0. Purpose**

The purpose of the USSOCOM Value Engineering Process is to:

- Provide a framework to capture and review and decide on value engineering and innovation ideas from SITEC vendors
- Develop a framework within which USSOCOM and the SITEC providers can explore and possibly exploit promising ideas
- Provide an environment that encourages and rewards development of value engineering and innovation ideas and cost saving solutions

- Provide a mechanism to formally record and track ideas in a manner that provides appropriate confidentiality (to protect intellectual property and potential total patent rights)
- Formalize the method by which USSOCOM plans to achieve the above.

#### 4.0. Principles

USSOCOM requires all Value Engineering Change Proposals (VECPs) to follow the following specific set of principles:

- *Accurate information*: the USSOCOM IT Management Office (ITMO) will validate all value engineering submissions to ensure accuracy before beginning formal consideration.
- *Focused purpose*: Each value engineering submission will have a clear purpose and specific relevance to USSOCOM.
- *High value-add*: the USSOCOM ITMO will evaluate all value engineering proposals to ensure that the information clearly and measurably adds value to the USSOCOM IT enterprise.
- *Value Engineering Template*: The USSOCOM ITMO will only consider value engineering proposals submitted using the approved Value Engineering Change Plan template (See Appendix A for a Sample Template)

#### 5.0. Value Engineering Process

To make decisions about Value Engineering projects, activities and plans, the USSOCOM IT Management Office (ITMO) will implement a standard and repeatable process as depicted in Figure 1 below.

Figure 1. USSOCOM Value Engineering Process



The 5-step USSOCOM Value Engineering process involves:

**Step 1 – Vendor Submits VECP to SITEC KO.** The vendor sends the VECP to the SITEC KO with a transmittal letter stating that the VECP is being submitted pursuant to the VE clause of the contract. The VECP must be submitted using the USSOCOM approved VECP template (see Appendix A for a Sample).

**Step 2 – SITEC KO Reviews VECP and Forwards to ITMO.** The SITEC KO will acknowledge receipt of the VECP and conduct a pre-screening for completeness and adherence to the template requirements. If the KO determines the VECP is unacceptable, the VECP will be

returned to the Vendor. If acceptable, the SITEC KO will forward the VECP to the USSOCOM ITMO for further analysis.

**Step 3 - ITMO Analyzes VECP and Makes Recommendation to ESG.** The ITMO will conduct an analysis of the VECP, including validation of project benefits and cost savings. The ITMO will coordinate with affected SORDAC Program Managers and other SIE-related stakeholders. The ITMO will coordinate with the USSOCOM J6/CIO to conduct a tradeoff analysis in cases where there are competing investments and investment prioritization is required. Upon completing of the VECP analysis, the ITMO will develop a report and recommendation for consideration by the USSOCOM Enterprise Steering Group (ESG).

**Step 4 – ESG Makes Determination.** The USSOCOM ESG will consider any VECPs at its next regularly scheduled meeting; the ESG can approve, deny, or refer the VECP to the USSOCOM CIO Council.

**Step 5 – KO Notifies Vendor of the ESG of Determination.** Upon final disposition of the VECP, the KO will notify the vendor of the USSOCOM determination. If the VECP is not accepted, the SITEC KO will notify the Contractor in writing, explaining the reasons for rejection. Any VECP may be accepted, in whole or in part, by the KO's award of a modification to this contract citing this clause and made either before or within a reasonable time after contract performance is completed.

Consistent with FAR 52-248.1, the SITEC KO will notify the Contractor of the status of the VECP within 45 calendar days after the contracting office receives it. If additional time is required, the KO will notify the Contractor within the 45-day period and provide the reason for the delay and the expected date of the decision. The Government will process VECP's expeditiously; however, it shall not be liable for any delay in acting upon a VECP.

## 6.0. Share in Net Acquisition Savings

Share in net acquisition savings will be in accordance with the Value Engineering clause referenced in RFP Section I (Contract Clauses), with regard to FAR 52.248-1 (VALUE ENGINEERING (FEB 2000)), incorporated by full text.

## Appendix A: Value Engineering Change Proposal Sample Template

The provider shall use a USSOCOM ITMO-provided and approved template for all VECPs. The VECP shown below is a sample of the minimum information which must be submitted by the contractor to meet the requirements Value Engineering clause referenced in RFP Section I (Contract Clauses), with regard to FAR 52.248-1 (VALUE ENGINEERING (FEB 2000)), incorporated by full text.

Value Engineering Change Proposal (VECP)		
Submitter:	Company:	Date:
Title:		
<b>Background and Overview:</b> <i>Provide a description of the difference between the existing contract</i>		

*requirement and the proposed requirement, the comparative advantages and disadvantages of each, a justification when an item's function or characteristics are being altered, the effect of the change on the end item's performance, and any pertinent objective test data.*

**Contract Changes Required:** *Identify and provide an analysis of the contract requirements that must be changed if the VECP is accepted, including any suggested specification revisions.*

**Affected CLIN(s) or Task Area(s):** *Identify the applicable CLIN, Task Area or unit to which the VECP applies.*

**Government Investment Requirement:** *A description and estimate of costs the Government may incur in implementing the VECP, such as test and evaluation and operating and support costs; also discuss prediction of any effects the proposed change would have on collateral costs to the agency (i.e., agency cost of operation, maintenance, logistic support, or Government-furnished property).*

**Previous Submissions:** *Identify any previous submissions of the VECP to USSOCOM and/or other agencies, including the dates submitted, the specific agencies and contract numbers involved, and previous Government actions, if known.*

**Time Sensitivity:** *Provide a statement of the time by which a contract modification accepting the VECP must be issued in order to achieve the maximum cost reduction, noting any effect on the contract completion time or delivery schedule.*

**Implementation Timetable:** *Identify the estimated implementation timetable*

**Impact on Other Elements of the Agreement Not Detailed Above:** *Please specify any impact on other elements of the agreement (e.g., Terms and Conditions, Working Arrangements and Documentation)*

**Cost Estimate:** *Provide a separate, detailed cost estimate for (i) the affected portions of the existing contract requirement and (ii) the VECP. The cost reduction associated with the VECP shall take into account the Contractor's allowable development and implementation costs, including any amount attributable to subcontracts under the Subcontracts paragraph of this clause, below.*

**Additional Information:** *Add any other information pertinent to your VECP (Ex: Cost to qualify new item, drawings, sketches, photographs, schematics, restrictive data rights per FAR).*