

DATE: March 26, 1999

FROM: HOWARD LANDON
DIRECTIVES MANAGEMENT TEAM, MA-41

TO: DIRECTIVES POINTS OF CONTACT

SUBJECT: DOE P 430.X, DEPARTMENTAL VALUE ENGINEERING PROGRAM

The attached Policy Statement, DOE P 430.X, DEPARTMENTAL VALUE ENGINEERING PROGRAM, is attached for your review and comment. The Policy Statement is intended to ensure realistic budgets, identify and remove nonessential capital and operating costs, and to improve and maintain optimum quality of program and acquisition functions.

Value Engineering points of contacts (attached) throughout the Department have already reviewed this draft Policy Statement and their comments have been incorporated.

Should your review require information about Value Methodology referenced in the policy look at <http://www.value-eng.com/pdf/vmstandard.html>, and click on Value Methodology Standard.

Comments on the Policy Statement are due by April 22, 1999. *Major issues of suggested comments should be designated as such when submitted. Major issues should be limited to instances where the Policy Statement in its entirety, or when one or more of its requirements would have an adverse impact on DOE policy objectives, mission accomplishment, economy, efficiency, or other management concerns that would preclude its publication. Major issues need to be supported by the head of the Departmental Element making the comment. The following procedures should be followed for the submission of comments:*

Directives Points of Contact at Headquarters Elements: Submit one set of consolidated comments to the originator of the Policy Statement by 4/22/99: Lindsay Coffman, FM-20, Forrestal; facsimile (202) 586-4500; or E-mail: lindsay.coffman@HQ.DOE.GOV.

Send an additional copy of comments to Craig Wisooker, MA-41, Room 8F-084, Forrestal, fax: 202-586-1972, or to craig.wisooker@hq.doe.gov.

Directives Points of Contact at Field Elements: Submit consolidated comments to the Policy Statement writer as well as a copy to MA-41. The package submitted by Field Elements shall include as an attachment the comments provided by contractors.

Contractors will submit comments directly to their appropriate Field Elements.

Questions concerning the content of the Policy Statement should be directed to Mr. Coffman, 202-586-4517; questions on the processing of a Policy Statement should be directed to Mr. Wisooker, 202-586-6343.

DOE VE POC's:

Ivan Rose, AL

Bruce Elsner, AL

Karen Tenke-White, CH

Lee Williams, ID

Gerry Babero, NV

Douglas Maynor, OH

Jones Hom, OH

George Herron, OR

Mike Koel, RF

Chad Henderson, RL

Bobbie Carter, SR

Benard Avon, FETC

Ken Elder, YMSCO

Ed Branagan, NE

Attachment:

Draft DOE P 430.X, DEPARTMENTAL VALUE ENGINEERING PROGRAM

U.S. Department of Energy
Washington, D.C.**Policy**

DOE P 430.X

XX-XX-99

SUBJECT: DEPARTMENTAL VALUE ENGINEERING PROGRAM

PURPOSE AND SCOPE

The Department of Energy stands firm on the principle of being good stewards of the taxpayer's money. Good stewardship includes a robust Value Engineering (VE) Program that meets the requirements of Public Law 104-106, Section 4306 as codified by 41 USC 432. This law states that each agency shall establish and maintain cost-effective VE procedures and processes. Additionally the Office of Management and Budget (OMB) Circular A-131 requires annual reporting on the status of the Department's VE Program. The Department's prime objective is to have a systematic and disciplined management approach for VE and the related area of value methodology in this time of limited resources.

POLICY

VE is a proven management tool that can be used to ensure realistic budgets, identify and remove nonessential capital and operating costs, and improve and maintain optimum quality of program and acquisition functions. The requirement is to establish and maintain VE programs, procedures and processes which provide for the aggressive, systematic development and maintenance of the most effective, efficient, and economical, environmentally-sound, and safe arrangements for conducting the work of the Department and to provide a sound basis for identifying and reporting accomplishments. All VE applications will not necessarily result in cost reduction. Terms such as functional analysis, alternative analysis, value analysis, value control, value improvement, value engineering and value management will, for the Department's application, be recognized as synonymous when the same industry-recognized value methodology techniques and principles are applied.

In carrying out this requirement, I expect that each Departmental Element Head to ensure that a process is in place within their organization to periodically assess their business area for application of VE. To realize maximum return on investment, the VE Program should focus, preferably, on high cost areas of the Department's operation, research and new facility design and construction. In any case, the areas selected should benefit from a thorough analysis to identify alternate ways of achieving the

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same or improved functions at a lower life cycle cost, and/or enhancing operational quality, performance, readiness, and/or safety. The VE investment should be scaled to the application being evaluated. Each Departmental Element is to plan for adequate funding to support their VE program.

To support your efforts the Office of Field Management has prepared a Good Practice Guide, Value Engineering, which identifies principles and practices of VE, a suggested minimum process for a VE Program, how to perform VE studies, preparation of the OMB report and criteria for measuring VE accomplishment.

Together, through the use of VE, we can be more efficient in accomplishing our mission. Should you have any questions, please contact John Wilczynski at the Office of Field Management.



BILL RICHARDSON
Secretary of Energy