



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

SEP 22 2009

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: FY 2009 DoD Value Engineering (VE) Achievement Awards

To prepare for the spring 2010 awards ceremony, I request your FY 2009 VE award nominations by December 10, 2009. Since 1983, the DoD Value Engineering Program has achieved savings in excess of \$37 billion while providing improved warfighting capabilities to our forces. The awards program recognizes those individuals and organizations whose efforts have made significant contributions to the Department through identification of VE-related changes resulting in cost savings or cost avoidances, quality improvements, or efficiencies.

In addition to soliciting nominees for the five standard award categories, I encourage you to submit special award nominations recognizing VE initiatives that demonstrate innovative approaches and applications. These would include innovations that expand the benefits of VE beyond their traditional scope (e.g., software; environmental protection and conservation; energy conservation; organization; process; performance; reliability; quality; and corrosion initiatives). Each nomination should be supported by a fact sheet that supports the review and selection process. More guidance and examples are attached.

Thank you in advance for your help in recognizing outstanding accomplishments in VE. Please submit nominations to Ms. Mary Hart at Mary.Hart@dla.mil. My VE program manager is Mr. Chet Bracuto at 703-695-7793 or Chet.Bracuto@osd.mil.

A handwritten signature in black ink that reads "Ashton Carter".

Ashton Carter

Attachment:
As stated

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ATTACHMENT

DEPARTMENT OF DEFENSE VALUE ENGINEERING ACHIEVEMENT AWARDS

General Guidance

I. Purpose

The Department of Defense (DOD) Value Engineering (VE) Achievement awards are intended to stimulate VE activity for the purpose of reducing costs, improving quality, enhancing effectiveness, and increasing efficiency throughout the DOD.

II. Applicability & Scope

DOD VE Achievement awards apply to all DOD Components.

III. Policy

The DOD VE Achievement Awards program is designed to honor those who made a significant VE contribution within the last fiscal year. There are five award categories: (1) Program/Project; (2) Individual; (3) Team; (4) Organization; (5) Contractor; and (6) Special.

IV. Criteria

Award selection considerations include: net savings; savings as a percent of the affected budget; product, process, or service improvement; VE savings/improvements related to mission of organization; VE program growth; leadership; innovation; scope of potential applicability; uniqueness of idea; cross-functional and/or inter-agency teaming; integration with other improvement initiatives/activities; and new VE activity. In-house VE nominations must demonstrate/document the use of the VE principles or methodology consistent with the "Department of Defense Inspector General Issue Resolution Agreement: Defining VE for Reporting Purposes." VE performance metrics related to the award nomination must be reported to the Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) (OUSD (AT&L)) in accordance with the annual data call.

V. Procedure

A. Annually, each DOD Component may submit one nominee for the first five categories and up to three nominees for the special category. The list of nominees will be submitted to the Under Secretary of Defense (Acquisition, Technology, and Logistics). Each nominee must have met the appropriate criteria in paragraph IV above. Each nominee will be supported by a fact sheet. A brief citation will be drafted from the fact sheet by the appropriate DOD Component VE focal point upon selection for inclusion to the award

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ceremony script.

B. The nominees will be reviewed by the DOD VE Management Advisory Group (MAG) that consists of the VE program managers from the Office of the Secretary of Defense (OSD) and each Component. The MAG will present their selections to the Principal Deputy (Defense Systems) for concurrence. Upon concurrence, the award winners will be forwarded to the Under Secretary of Defense (Acquisition, Technology, & Logistics) to announce the winners.

C. The awards will be presented by the Deputy Secretary of Defense or other flag rank representative of OSD at the Pentagon in the presence of appropriate senior executives of the Component. Awards to organizations will be presented to the Commander or senior executive of the activity. Awards to contractors will be presented to an executive representing the company. Each winner will receive a certificate, signed by the Secretary of Defense, and a plaque. In addition, winning organizations and contractors will receive a VE pennant.

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Standard Categories

Categories listed below are intended to be flexible and almost any nomination could be placed in any one of the categories depending on the accomplishment to be recognized. For instance, a contractor could be nominated under individual/team, or program/project for a VECP on a particular item, or organization. However, there is a specific category for contractors to prevent competition between government and contractor activities. Competition for the categories below is within each Service/Agency. Special award nominations will be competitive among the Services and Defense Agencies (see guidance on page 3). Nominations should be written in the fact sheet formats provided with this package.

1. **Program/Project**. Military, civilian, or contractor personnel who have generated VE savings on a specific construction project, system, item, or family of items and have made a noteworthy contribution to the application/implementation of VE to areas under their cognizance.

2. **Individual**. A single military or individual civilian who:

- a. is a member of a DOD organization in the areas of engineering, logistics/supply support, testing, budget management, planning, etc., and/or
- b. is a member of a Value Engineering Program Office, Integrated Product Team, Contract Administration Office, etc., and/or
- c. is a DOD contractor or subcontractor.

And, has made a noteworthy contribution to the implementation/application of VE to areas under his/her cognizance.

3. **Team**. Teams of military or civilian personnel who:

- d. are members of a DOD organization in the areas of engineering, logistics/supply support, testing, budget management, planning, etc., and/or
- e. are members of a Value Engineering Program Office, Integrated Product Team, Contract Administration Office, etc., and/or
- f. are a DOD contractor or subcontractor.

And have made a noteworthy contribution to the implementation/application of VE to areas under their cognizance.

4. **Organization**. Military or civilian activity with a distinct title that have made a noteworthy contribution to the application/implementation of VE to areas under their cognizance.

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Examples of Organization are:

F-18 Program Office

U.S. Army Aviation and Missile Command

DLA Value Management Office

5. **Contractor**. A DOD contractor or subcontractor that has made a noteworthy contribution to the implementation/application of VE to areas under their cognizance.

6. **Special.**

Guidance for Special Award Nominations

These special awards recognize outstanding contribution to the VE Program which demonstrate innovative approaches and applications and/or expand the benefits of VE. The special awards will be competitive among Services and Defense Agencies. VE contributions worthy of this special recognition may be drawn from those actions during the last five fiscal years.

Description of VEP or VECP

- **Descriptive Title**
- **Identifying Number**
- **DOD Sponsor Organization**
- **Contractor (as appropriate)**
- **Dates of Approval and Implementation**
- **Before and After Description**
- **Savings/Cost Avoidances** - net savings to DOD (and contractor if appropriate); cost of development, testing, implementation, etc.
- **Benefits other than Cost Reduction** - improving: product, process, service; performance; reliability; maintainability; operability; effectiveness; efficiency; cycle time reduction, environmental protection/conservation/restoration, energy conservation, safety, etc.
- **Unique/Unusual Application** - software, environmental problems, organization, process, service, etc.
- **Unique/Unusual Approach** - innovation; proactivity; cross-functional or inter-agency teaming; integration/support of other improvement initiatives/activities, etc.

Reference - questions about nomination

- **Name**
- **Title**
- **Organization**
- **Telephone #**

Fact Sheet Guidance

Submitting Activity:

Year:

Category:

Nominee:

- Name
- Title
- Location (for field commands, installations, & contractors)
- Mailing Address
- Telephone #

Reference: (questions about nomination)

- Name
- Title
- Telephone #

Description of Achievement:

- Savings/Cost Avoidances - Identify net 6-year savings (current fiscal year's actual savings and five subsequent years projected savings); savings as % of reporting activity budget; and return on VE investment. How were savings validated? Are there documented case files?
- Mission of organization (place where VE savings were generated) and how savings or other improvements contributed to fulfilling this mission.
- Product/Process/Service Improvement - Description may include but is not limited to: customer satisfaction; quality; performance; reliability; maintainability; operation & support savings; effectiveness; efficiency; and/or cycle time reduction.
- VE Program Management - Description may include but is not limited to: leadership; program growth; new activity; institutionalization of VE application/methodology; scope of potential application; innovation; proactivity; cross-functional or inter-agency teaming; and/or integration/support of other improvement initiatives/activities.
- Summary of Significant VEPs/VECPs
- Succinctly (no more than one page for each) describe up to three VEPs/VECPs associated with the nominee. Include identifying number, title, description, net cost savings/avoidances to DOD, and other benefits.

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Example Fact Sheet: Program/Project

Submitting Activity: U. S. Navy

FISCAL YEAR:

Category: Program/Project

Nominee: STANDARD Missile Program Office, PMS422

CAPT _____

Program Manager, STANDARD Missile
STANDARD Missile Program Management Office
Program Executive Office for Theater Surface Combatants
2531 Jefferson Davis Highway
Arlington, VA 22242-5165
Telephone: DSN _____ or Commercial _____

Reference: (questions about nomination)

Mr./Ms. _____
Value Engineering Project Engineer
Telephone: DSN _____ or Commercial _____

Description of Achievement:

Savings/Cost Avoidances

- The STANDARD Missile Program Office achieved net six-year savings of \$93 million from VEPs and VECPs.
- FY XX VE Savings as a percent of the STANDARD Missile Program Budget were 1 percent.
- Value Engineering Change Proposals (VECPs) savings were validated through the contract modification/settlement process.
- Value Engineering Proposals (VEPs) savings were validated by appropriate budget officials with deobligated funds made available for reapplication.
- Known Return on Investment for VECPs was 5.6:1.
- All VE actions have been properly documented and are on file in the VE office.

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Product/Process/Service Improvement

- Value Engineering Process Improvement IPT was started resulting in a 45% reduction in VE processing time and a 63% increase in VE submittals.
- Value Engineering was expanded beyond prime contractors to subcontractors and suppliers.
- Non-traditional VEs were encouraged resulting in process improvement VEs, overhead reductions VEs, and business innovation VEs.

VE Program Management

- The STANDARD Missile Program Office established a joint Government/contractor Value Engineering Integrated Products Team (VEIPT) to increase VE participation across contractor product lines. This VEIPT will provide synergies from various programs and increase savings to the DOD.
- Program office personnel collaborated with field sites, prime and subcontractors to identify and pursue VE opportunities.
- This program office incorporated Value Engineering clauses into seven active STANDARD Missile contracts.

Summary of Significant VEPs/VECPs

XYZ Company, Anytown, USA
Transceiver Producibility

VECP A001

Prior to VE: Transceiver design required eleven testable levels

Following VE: Redesign of transceiver used a higher scale integration to reduce the number of testable levels to seven. Savings to the Government are \$24.0 million.

Status: Implemented

XYZ Company, Anytown, USA
Control System Redesign

VECP R001

Prior to VE: The Control System for STANDARD Missile variants contained unique parts that increased unit costs, and complicated production activities.

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Example Fact Sheet: Program/Project (continued)

Following VE: These assemblies were redesigned for higher scale integration, parts commonality and producibility. The result of these efforts will save the Government \$55.3 million.

Status: Implemented

XYZ Company, Anytown, USA
Common Receiver Update

VEP TI-081

Prior to VE: The Receiver for the Block IIIA/IIIB variant of the STANDARD Missile has interspersed channels.

Following VE: This VE eliminates the interspersed channels from this STANDARD Missile variant. Savings on this VEP are \$6 million.

Status: Implemented

XYZ Company, Anytown, USA
Common Computer

VEP TI-105

Prior to VE: Three variants of the STANDARD Missile, Block IIIA, IIIB, and IV do not have a common DSP.

Following VE: This VE develops a common DSP for these three variants. Savings to the Government for this common computer are 28.7 million.

Status: Implemented.

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Example Fact Sheet: Individual or Team

Submitting Activity: U.S. Air Force

FISCAL YEAR:

Category: Individual or Team

Nominee: (Individual) Major _____
Program Manager, Air Force Mission Support System (AFMSS) Production
U.S. Air Force Materiel Command, Electronic Systems Center
Hanscom AFB, MA 01731-1625
Telephone: DSN 478-11xx, ext. 50xx or Commercial (781) 271-xxxx

OR

(Team) Air Force Mission Support (AFMSS Program)

<i>Individual's Name</i>	<i>Title</i>	<i>Location</i>

Reference: (questions about nomination)

Lieutenant Colonel _____
Program Manager, Wing/Unit C2 Systems
Telephone: DSN _____ or Commercial _____

Description of Achievement:

Savings/Cost Avoidances

- ESC/XXX reported net six-year savings of \$7.5 million.
- VE savings were 8.73 percent of reporting activity procurement budget.

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- VECP savings are validated through actual contract modifications and future documentation. VEP savings are documented by verifying that deobligated funds saved are available for reapplication and that programmed funds are not longer required for original purpose.
- Documented files are available in the ESC/ACU office.

Product/Process/Service Improvement

- Dynamic business and innovation management instituted by Lt _____.
- Combined Total System Performance Responsibility (TSPR), F-XX contract, with Mission Planning System (MPS) procurement saved the F-XX program office \$600K. Customer satisfaction was greatly increased. Without this action, the program office would not have been able to purchase mission essential hardware.
- Worked extensively with contractor, _____, to optimize their manufacturing process and inventory control as well as modify the Air Force MPS upgrade plan that realized a thirty-three percent reduction in production-to-delivery cycle time.
- MPSs experienced a remarkable performance increase of at least seventy-percent in all benchmark tests due to meticulous efforts by Major _____ to “rightsize” technical specifications.

VE Program Management

- Major _____ spearheaded effort to reengineer AFMSS procurement strategy based on value-added activities by specifically focusing on commercial competition, synergistic Government-Vendor relationships, and providing state-of-the-art technology to the warfighter at a reduced cost. Consequently, this has become the new AFMSS procurement methodology.
- Major _____ thought outside the box and linked multiple fiscal year requirements into one MPS hardware chassis and created the upgrade plan that reduced cost, guaranteed success, and garnered HQ ACC praise.
- He sponsored multiple cross-functional and inter-agency teaming and teleconferences with ACC, OO-ALC, CTF, AFOTEC, and contractors to ensure value-added practices were shared and implemented.

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- Major _____ innovative leadership, which focuses on a value-added approach, creates success in any program he is involved with.

Summary of Significant VEPs/VECPs

For up to three VEPs/VECPs identified by number/title, contractor, in-house organization, provide a before VE and after VE paragraph succinctly describing the change and its benefits.

See Example for Value Engineering Program/Project to Structure Summary

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Example Fact Sheet: Organization

Submitting Activity: U.S. Army

FISCAL YEAR:

Category: Organization

Nominee: U.S. Army Aviation and Missile Command

Major General _____
Commander
U.S. Army Aviation and Missile Command
Redstone Arsenal, AL 35898-5000
Telephone: (DSN) _____ or Commercial _____

Reference: (questions about nomination)

Mr./Mrs. _____
Program Manager, Value Engineering
Telephone: (DSN) _____ or Commercial _____

Description of Achievement:

Savings/Cost Avoidances

- The U.S. Army Missile and Aviation Command (AMCOM) achieved net six year savings of \$198.3 million.
- Value Engineering Change Proposals (VECPs) savings were validated through the contract modification/settlement process.
- Value Engineering Proposal (VEPs) savings were validated by appropriate budget officials with deobligated funds made available for reapplication, and programmed funds deleted as no longer required for their original purpose.
- The information relating to savings as percent of reporting activity budget, and the return on the VE investment is as follows:
_____.
- All VE actions have been properly documented and are on file in the VE office.

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Example Fact Sheet: Organization (continued)

Product/Process/Service Improvement

- Sixty-nine VEPs were implemented during Fiscal Year _____.
- Twenty-five VECs were implemented during Fiscal Year _____.
- VEC average processing time was 160 days well under 220-day target.

VE Program Management

- AMCOM utilized an aggressive goal setting policy.
- Despite a reduction in Total Obligation Authority, AMCOM's goal was increased by 16 percent to \$60 million, \$18 million higher than any other AMC major subordinate command
- AMCOM VE personnel collaborated with the U.S. Army Simulation, Training, and Instrumentation Command, the U.S. Army Communications-Electronics Command, the U.S. Army Armament, Munitions and Chemical Command, and the U.S. Army Tank-Automotive Command to identify and pursue VE opportunities.
- Three hundred AMCOM employees were trained in various aspects of VE.

Summary of Significant VEPs/VECS

For up to three VEPs/VECS identified by number/title, contractor, in-house organization, provide a before VE and after VE paragraph succinctly describing the change and its benefits.

See Example for Value Engineering Program/Project to Structure Summary

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Example Fact Sheet: DOD Contractor

Submitting Activity: Defense Logistics Agency (DLA)

FISCAL YEAR:

Category: Contractor

Nominee: XYZ Company

Mr./Mrs. _____

President
XYZ Company
499 ABC Boulevard
Evansville, IN 47733
Telephone: Commercial _____

Reference: (questions about nomination)

Mr./Mrs. _____
Program Manager, Value Engineering
Telephone: (DSN) _____ or Commercial _____

Description of Achievement:

Savings/Cost Avoidances

- XYZ VECs saved \$1.3 million in FY ____, net to DLA.

VE Program Management

- XYZ Group management team has maintained active participation in the Value Engineering Program for the past six years.
- XYZ Group has consistently submitted cost reduction/product-improving VECs.
- Proactive conduct of VE studies was the key to cost reduction and functional improvement.
- XYZ Group has proven its dedication to VE by supplying guest speakers at DLA-

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sponsored Value Engineering Executive Seminars designed to expand contractor participation in VE Program.

Summary of Significant VECPS

Identify VECPS(s) by number, title, etc., and summarize in a Before VE; After VE; paragraph describing the change and its benefits.

See Example for Value Engineering Program/Project to Structure Summary

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Scoresheet

Service: _____

Category: _____

Nominee: _____

SCORE

Public Relations/Promotional Value (0-10)

Savings/Cost Avoidance (0-30)

- Net 6-year Savings (current fiscal year's actual savings and five subsequent years projected savings)
- % of Reporting Activity Budget
- Return on VE investment

Product/Process/Service Improvement (0-30)

- Savings/improvement contribution to organization's mission
- Quality/Customer Satisfaction
- Performance
- Reliability
- Maintainability
- Effectiveness
- Efficiency
- Cycle Time

VE Program Management (0-30)

- Leadership
- Program Growth
- New Activity
- Institutionalization of Application/Methodology
- Scope of Potential Applicability
- Innovation

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- Proactivity
- Cross-functional or Inter-agency Teaming
- Integration/Support of Other Improvement Initiatives/Activities

TOTAL SCORE (0-100)

Evaluator: _____
