



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
SOLID WASTE AND EMERGENCY
RESPONSE

APR 14 2006

OSWER 9335.5-24

MEMORANDUM

SUBJECT: Value Engineering for Fund-Financed Remedial Design
and Remedial Action Projects

FROM: Michael B. Cook, Director *Michael B Cook*
Office of Superfund Remediation and Technology Innovation

TO: Superfund National Policy Managers, Regions 1 - 10

Purpose

The purpose of this Memorandum is to reaffirm the requirement to apply Value Engineering (VE) during Superfund Fund-lead remedial design (RD) and remedial action (RA) projects.

Background

VE is a highly beneficial technique used to reduce non-essential procurement and program costs. VE uses systematic and creative methods to reduce costs without sacrificing the reliability, efficiency, or original objectives of the project. Implementation of VE techniques by Federal Departments and Agencies was first required by the Office of Management and Budget Circular No. A-131, January 26, 1988. Circular A-131 was last revised in 1993. The policies of Circular A-131 have been incorporated into the Federal Acquisition Regulation (FAR).

As stated in Public Law 104-106 (1996), "Each executive agency shall establish and maintain cost-effective Value Engineering procedures and processes." The FAR has two types of VE requirements. The first type of VE requirement is for the RD phase of a project and requires a VE program as described in FAR 48.101(b)(2). The government will be the beneficiary of 100% of the VE cost savings during RD, and will pay only for the VE study and any required design revisions.

The second type of VE relates to the RA phase of a project, as described in FAR 48.102(a). In accordance with this FAR requirement, all RA and Long Term RA (LTRA)

contracts above \$100,000 should contain Value Engineering Change Proposal (VECP) provisions. These VECP provisions afford contractors a substantial financial incentive (roughly 50%) for cost savings proposals that are accepted by the government and incorporated into a project. Compared to the 100% VE cost savings during RD, the government will then be the beneficiary of somewhat less than 50% of the VE cost savings during RA.

Implementation

This Directive supersedes Publication 9355.5-03FS, "Value Engineering," dated May 1990, and the Memorandum, "Implementation of Value Engineering for Corps of Engineers Managed Superfund Remedial Design and Remedial Action Projects," dated June 27, 1990. An updated fact sheet, "Value Engineering," Publication 9335.5-24FS, dated April 2006, provides details on the VE process and is an attachment to this memorandum.

All Superfund RDs that will lead to Fund-lead RAs after September 30, 2006 should undergo the VE process. **For a given project (or phase of a project) to qualify for initial RA funding, the RD for that project should undergo the VE process in accordance with the table below. As a pre-requisite to approval of the project for initial RA funding, the priority panel for RA funding should confirm that the appropriate Regional Branch Chief has certified that the project is (or will be) in compliance with the VE requirements for RD.** For RA and LTRA projects where the total cost is estimated to exceed \$100,000, the contract documents should include the VE incentive clause.

VE During Remedial Design	If the RA cost (including LTRA) is estimated to be less than \$25 Million	A VE screen, followed by a VE study, if recommended by the screen
	If the RA cost (including LTRA) is estimate to be \$25 Million or greater	A full VE study should be performed
VE During Remedial Action and Long Term Remedial Action	If the RA or LTRA project cost is estimated to be greater than \$100,000	The contract specifications for the project should include a VE incentive clause
	If the RA or LTRA project cost is estimated to be \$100,000 or less	Inclusion of a VE incentive clause in the contract specifications for the project is optional

VE During RD

When it is estimated that the RA cost plus the cost of LTRA for a project will be less than \$25,000,000, a VE screen should be conducted; if that VE screen finds that a VE study is warranted, the study should then be conducted. A full VE study should always be conducted for projects (or phases of projects) where the combined life cycle cost is estimated to be \$25,000,000 or more. The \$25,000,000 requirement for a VE study is consistent with Congressional mandates for the Federal Highway Administration.

The VE study can be conducted by the U.S. Army Corps of Engineers (Corps) or through a contract with an Architect/Engineering (A/E) company. Team members conducting the VE study must be independent from the design team. Members of the team should have received the 40-hour VE training sponsored by the Society of American Value Engineers (SAVE), and the team leader should be certified by that organization. Certain members of the team that provide expertise in areas of construction, contracting, cost estimating, or process engineering are not required to have taken the VE training if they only provide technical support. The Remedial Project Manager (RPM) and a representative from the designer are considered essential resources to the VE study team, providing background design information and Superfund policy support.

A typical VE study effort will require a team to meet for approximately one week to go through the VE steps and then additional time to prepare the Study findings and recommendations. Field and laboratory work may be required to conduct the VE study. More information about VE during design can be found in the attached fact sheet and Section 4.8 of the EPA Superfund program's Remedial Design/Remedial Action Handbook found at: <http://www.epa.gov/superfund/whatissf/sfproces/rdrabook.htm>.

VE During RA and LTRA

The contract specifications for Fund lead RA projects estimated to cost more than \$100,000 should include a VE incentive clause which provides the contractual mechanisms for the VECF process. When a VE change proposal is submitted by the RA contractor, this clause provides a 45-day period for the government to conduct technical reviews and make a decision. The RPM should schedule his/her review of a contractor's proposed VE change to allow sufficient time for EPA to reach a decision within the allotted 45-day period.

RPM Consultation

Consultation with the RPM during VE activities is essential to successful implementation. Therefore, the RPM should include a clause in the scope of work for the contract work assignment (or the interagency agreement assigned to the Corps) that will require the VE team to consult with the RPM during the VE screening, VE study, and VECF review. For example, the RPM should consider possible impacts on the project schedule or Record of Decision (ROD) due to proposed VE activities.

During a remedial action, the EPA RPM should ensure his/her approval/concurrence will be sought on technical reviews before decisions are made on implementing or rejecting VE recommendations from a contractor. Also, the RPM and contracting officer should work together to study the proposal and reach concurrence on the decision to implement or reject the VECP submission from the contractor.

VE Reporting Requirements

The VE study team leader should prepare a final written report containing the approximate cost of the study or review, findings and recommendations and estimated cost savings. The RPM should prepare a written response for the record whenever a VE study for an RD results in recommendations for design changes. The response should explain the reasons for accepting or rejecting each of the VE recommendations. Similarly, when a VECP is received during an RA or LTRA, the RPM and contracting officer should prepare a written response for the record explaining the reasons for accepting or rejecting each of the contractor's recommendations.

We will continue to track the VE and VECP recommendations and cost savings for the Superfund program. Please submit **an electronic version of all VE studies and VECP recommendations, the responses to the recommendations, and the estimated cost savings** to your regional coordinator in OSRTI, prior to completion of the project. Ken Skahn, of my staff has been designated the VE contact for OSRTI. Please call him at (703) 603-8801 if you need additional information on the VE process.

Attachment

cc: OSRTI Managers
Ed Chu, Land Revitalization Staff
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