

ASC Value Engineering Action Report

REV-J

General Guidelines: ASC/ENSI uses the following information to track the status of all Value Engineering (VE) actions at ASC to meet metrics in AF VE Instruction 63-801. This information is placed in the ASC VE data base. ASC/ENSI reformats it for ASC/EN to present to the commander at each Functional Management Review (FMR). In addition, another report is sent to HQ Air Force Materiel Command (HQ AFMC) once a year for inclusion in the Department of Defense (DOD) VE Report to the Office of Management and Budget (OMB) and to Congress. Congress requires this information to insure that we are being good stewards of the taxpayer's money per OMB circular A-131.

Specifics: A separate ASC VE Action Report (VEAR) must be completed on *every* Value Engineering Change Proposal (VECP), Value Engineering Proposal (VEP), suggestion, or credit Engineering Change Proposal (ECP) that a SPO processes. This includes companion VECPs from the second contractor of a multi-source acquisition program. Organizations that do not complete these forms will not be eligible for the DOD Honorary VE Awards of Excellence. This award is presented by the Under Secretary of Defense in a prestigious Pentagon Ceremony.

Start Reporting

When must a SPO start reporting The type of VE Action determines the start of the VEAR reporting period. Use the following information as a guide to determine when to start reporting:

-VECP (Contractor initiated cost reduction idea): Create a VE Action Report on each VECP as it is formally received from a contractor.

- VEP or Credit ECP (Government initiated cost reduction idea): Create a VE Action Report when you formally request a cost reduction proposal from a contractor. A PCOL letter or an Advanced Change Study Notice (ACSN) usually starts the VEP cycle. Any contract savings that occur from the implementation of this idea will be given back to the government through a credit ECP. The government gets 100% of the savings. No savings are shared with the contractor.

-Suggestion (A VEP through the AF Suggestion System): Create a VE Action Report on a cost reduction idea when either of the following occurs: (1) When someone in your SPO submits a cost reduction suggestion to the AF Suggestion System (AF Form 1000) that effects your contract(s), or (2) when your SPO begins to process this action as a potential credit ECP called a VEP (see above).

WARNING! People have already lost large cash awards through the suggestion system because they submitted their cost reduction ideas too late. A person only has 30 days to submit a suggestion to the AF Suggestion System (AF Form 1000) to be eligible for a cash award. The time starts when the suggestor presents the idea—for the first time—to management, and closes 30 days later. Regulation prevents a suggestion payment from being made after this period. But, if an individual or group records an idea as a VEP first, it can be submitted later—up to one year from the date of a VEP's initiation. If, however, you wait 30 days to begin processing an AF Form 1000, and nobody has recorded the idea as a VEP, the one-year VEP/suggestion window doesn't apply. Don't wait. Create a VEP number, begin tracking your ideas, and report them on the VE Action Report—this starts the one-year VEP/suggestion extended filing period.

-No Cost VECP (A Special VE Clause category): Track and report No Cost VECPs on the VE Action Report as you would any other VE action. However, note that while the government receives 100% of the savings on other AF concurrent contracts and future contracts, you must

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exclude the *contractor's* instant and *contractor's* concurrent savings from the DOD savings summary calculations.

End Reporting

When is an ASC VE Action Report Complete?

After a VE Action Report is initiated, it is tracked and summarized to ASC/CC at the monthly ASC Functional Management Review (FMR).

General Close-out activity: When a VE action is finalized, complete the ASC VE Action Report and send it, along with a *copy of the front two (2) pages* of final contractual modifications (MODs) or CCB documentation for VEPs, to ASC/ENSI for close-out. The VE action will be reported as closed at the next ASC Functional Management Review and the net saving will be shown as implemented. Finalized VE actions are reported to DOD only in the year completed. VEAR reports are not be shown as complete at the FMR until one of the following conditions is met:

-VECP or VEP (Approved)

If the final VE action is an implemented VEP or VECP, complete the “Contractually complete” portion in the DOD Savings Summary area and send the VE Action Report, with a *copy of the front two (2) pages* of the supplemental agreement (SA), to ASC/ENSI. This final documentation is required based on previous DOD Inspector General’s findings. **Note:** Prior to close-out on VEPs, an independent audit must be done to validate estimates.

-VECP or VEP (Disapproved)

If the final action is to disapprove VEP or VECP, state the reason for the disapproval on the VE Action Report and send it, along with a copy of the disapproval document that was sent to the contractor, to ASC/ENSI for close-out.

-VECP (Disapproved because it was a Credit ECP not a VECP)

If a VECP is disapproved because the idea for change was previously documented as a government idea, note this fact on the VE Action Report and continue to report it as a credit-ECP (VEP). The government gets 100% of the savings in this case.

Note: VE savings will *not* be credited to a SPO (shown complete at an FMR), or to higher HQ, until they have been validated and a completed VE Action Report—with final close-out papers—have been received in ASC/ENSI.

Description of data to enter

Complete the ASC Value Engineering Action Report using the information given below:

- Basic Information:**
- ASC 2-Ltr:** List the ASC two-letter symbol. Ex: YA
 - Reporting Prog:** List the ASC 3-Ltr SPO symbol if your SPO contains a number of major programs, such as those in YA. Ex: AMRAAM in YA
 - Report Date:** Indicate the date of this report. Ex: Feb '90.
 - Type Report:** Indicate initial, update, or final report
 - VECP/VEP Title:** Give the title of the VE Action. Don't use abbreviations unless explained first. Ex: Federal Acquisition Regulation (FAR)
 - VECP No. or VEP No.:** List the VECP or VEP number chosen by your SPO. Ex: (May be different from the Suggestion number).
 - Suggestion No.:** List the suggestion number in addition to the VEP number. Ex: ASC-890512 (yymmdd - May be different from VEP number.)
 - Other Savings Category No:** For programs or initiatives getting savings as a by product of special emphasis that didn't focus *solely* on cost reduction. Ex: Environmental, security, etc.
 - Prime Contractor:** Indicate the name of the contractor(s) and subcontractors affected by this VE action. Ex: Westinghouse, Raytheon...
 - Subcontractor:** Indicate subcontractor if VECP initiated by subcontractor.
 - PCO:** Get the primary contracting officer's (PCO's) signature and telephone number. The signature shows coordination, *agreement on the savings amount, and action dates.*
 - CSE:** Get the Chief Systems Engineer's (CSE's) signature and telephone number on this report to show technical coordination.
 - OPR:** Officer of Primary Responsibility (OPR): Indicate the person (other than the VE focal point) responsible for processing this VECP/VEP and show their telephone number.
 - SPO VE Focal Point:** Give the name, office symbol, and telephone number of your SPO's VE focal point.

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Contract Information

EMD: Check appropriate block. If this VE action is on a program in Engineering and Manufacturing Development (EMD), is the program before Critical Design Review (Pre-CDR), or is it after (Post-CDR)?

LRIP: Indicate "YES," if this VE action applies to a program in low rate initial production (LRIP).

Prod: Indicate "YES," if this VE action applies to a program in its production phase.

Contract Type(s): List the type of contract this VE action effects. Ex: FFP, Cost Plus, FPIF, etc.

VE Program Type: Indicate whether this VECP was submitted under the voluntary (contractor funded development) or mandatory (govt funded development) VE clause.

VECP Initiated by: Indicate where VECP was initiated—prime or subcontractor.

Show Govt/Ktr share ratio for incentive type contracts: Indicate share ratios used to calculate the contractor's VECP share. Show the Government's share first and then show the contractor's share.

Sub-Prime share ratio: If the VECP was submitted by a subcontractor, show the subcontractor and prime contractor sharing ratios.

Contract Numbers: List the contract numbers affected by this VE action. Use as many lines for contract numbers as necessary.

Overall Description Area

Overall Description: Give a short description of the proposed VE change. (no jargon)

Remarks: Additional space for remarks and updating comments. Be sure to explain what is happening and the reason for any delay.

Schedule Area:

Date Rcv'd in SPO: Show the date the VE action was received in the SPO. ASC tracks from receipt of the VE action to the CCB, and to completion of the VE action. This key element of VE is reported to DOD annually.

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CCB Action:

- Date CCB Planned:** Indicate the date when the configuration control board (CCB) action is scheduled on a VECP.
- Approved:** Indicate the approval date of a VE Action.
- Disapproved:** Indicate the disapproval, withdrawal, or closed date of this VE action. If this action is approved as a VECP, but the idea was converted to a VEP (credit ECP), report the savings as a VEP and note it in the remarks area.
- Withdrawn:**
- Closed:**
- Deferred till:** If needed, indicate the next CCB date to finish this VE action.
- Date of PCO receipt:** Indicate when this action was turned over to contracting, or show the date an ACSN was requested of the contractor. This also applies to government suggested cost reduction ideas (VEPs).
- Negotiated Date:** Date the VE contract action was negotiated.
- Contractor Turn-on By:**
- Change Order:** Indicate YES if the contractor was turned-on by an undefinitized contractual action (UCA), locally called a change order (CO), to implement this VE action. A VE action that is turned-on by UCA means the idea is technically acceptable and cost risks have been properly analyzed and bounded. The contractor will proceed to implement the change but the contract doesn't have a VE supplemental agreement yet.
- (or)
- Supplemental Agreement:** Indicate YES if this VE action was turned-on by a supplemental agreement to the contract.
- PCOL Nos.:** List the PCOL number(s) of completed VE actions.
- SA Nos.:** List final VE contractual number(s) when a VE action is complete with a supplemental agreement (SA). *(Negotiated and definitized contracts are not considered contractually complete until supplemental agreement.)*

ASC Value Engineering Action Report:

DOD Savings Summary:

Proposed (vs.) Contractually complete: Fill in the “Proposed” area when originally creating the ASC VE Action Report. Finish the “Contractually Complete” area *only when a SA has been issued*. Near the end of the fiscal year, a memorandum of negotiation (MON) may be acceptable if it is completed and signed between both parties. The savings calculations shown in this area correspond to the VE clause in FAR 52.248-1 and are the savings reported using the DOD criteria in Directive 5000.2 and AF Instruction 63-801.

Savings Summary: All calculations are in accordance with FAR 52.248-1

a. Gross Savings

Instant

contract: Indicate the instant (gross) savings for this VEP, or VECP, as proposed by the contractor.

b. Implement- ation/ Development

Cost:

Indicate the total cost to develop and implement this VE action. This includes both contractor and government costs.

c. Net Instant Contract

Savings:

Net instant contract savings are the gross instant contract savings minus the total cost to develop and implement this VE action.

d. Future Contract

Savings:

Indicate the savings that will accrue on future contracts from implementing this VE action. Use the Five-Year Defense Plan as a basis for verifying future quantities during the sharing period. The future shares will be paid as future contracts are awarded. Future contract savings are calculated per unit and added to the instant contract VE incentive line item at the time of the future contract award.

Note:

A *No Cost VECP* may contain large future contract savings even though the instant contract savings are zero. Calculate the No Cost VECP future savings as you would any other future savings and report it here.

e. Concurrent Contract

Savings:

Indicate the price savings from this VE action that will accrue from its application to any concurrent contracts. Concurrent contracts are other contracts for essentially the same item that are handled by the same, or successor contracting office, that are on-going at the time this VE action was approved by the government. Normally at a CCB.

Note:

Concurrent contract savings reportable for a No Cost VECP are limited to the government’s savings on other concurrent *government* contracts. Contractors retain any concurrent savings on their own concurrent contracts.

f. Collateral

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Savings: Indicate one typical year of collateral savings that will accrue to the government from savings in the operational and support areas. A typical year begins after the full impact of the VECP occurs on all effected items. Final Collateral savings are determined by the government and are not subject to dispute by the contractor. Many SPOs calculate this value using life-cycle costing methods. Once the life-cycle is known, collateral savings are normally calculated by dividing the life-cycle savings by the years of expected life of the item. Example: \$100,000 collateral savings over 20 years of aircraft's life equals \$5,000 of collateral savings for one typical year. This is not the contractor's share of collateral; that value is calculated below in paragraph i.

Note: A No Cost VECP may contain large collateral savings even though there is no instant contract savings. Calculate the value of the No Cost Collateral savings as you would any other collateral savings and show it here. The government keeps 100% of any collateral savings in this case.

g. Total DOD Reportable Savings:

Calculate this value by adding the following amounts which occur during the VE sharing period: the net instant contract savings, all future contract savings occurring during the sharing period, any concurrent savings, and three years of collateral savings. $(c + d + e + 3*f)$

Note: The "Total DOD Savings" value is not the contractor's share of the savings; it is the total savings reported to HQ AFMC to meet the DOD criteria for reportable VE savings allowed by DOD Directives 5000.2 and 5000.2M and AF Instruction 63-801.

Contractors Share:

h. Acquisition: This value is the contractor's share of the net acquisition savings. It is calculated by multiplying the appropriate share ratio times the net instant contract savings, the net concurrent contract savings, the net future contract savings, and summing all. Ex: Net Acquisition savings = (c.*instant %+ d.* future %+ e.* concurrent %)

i. Collateral (@ 20%): This value is the contractor's share of the collateral savings. It is 20% of *one* typical year of collateral savings {calculated as in paragraph (f.) above}.

Notes: (1) PCOs cannot unilaterally deny a contractor a share of the collateral savings; they can, however, unilaterally determine the amount of the collateral payment. Collateral savings are not subject to disputes clause. (2) There is no contractor share of collateral savings using the No Cost VECP settlement method.

j. Contractor's Total: This value is the contractor's share of the total net acquisition savings, and collateral savings, as defined in the VE contractual clauses in FAR 52.248-1. It is calculated by adding the net acquisition savings and 20% of a typical year's collateral savings. Example: Contractor's Total Share = (Net Acquisition Share + Collateral Share (i.).

k. Government Total Share: Multiply each acquisition share (c., d., e.) by the government's share % and add 80% of one year collateral plus 100% of the collateral for two more years to the total.

Program Savings:

l. Estimate Net Life-cycle savings: Estimate the net life-cycle savings for this VECP. This includes the DOD net reportable savings and those projected savings after the share period to the end of the planned life of the program the VECP was submitted against.

Remarks: **Add comments necessary to minimize any misunderstandings.**

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