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| | **U.S. DEPARTMENT OF THE INTERIOR**<br>**OFFICE OF SURFACE MINING**<br>**RECLAMATION AND ENFORCEMENT**<br>**DIRECTIVES SYSTEM** | **Subject Number:** AML-21<br>**Transmittal Number:** 730<br>**Date:** JUN 29 1992 |

**Subject:** Value Engineering

**Approval:** **Title:** **Director**

1. Purpose. This directive outlines the criteria and procedures for implementation of the Department's Value Engineering (VE) program as related to Abandoned Mine Land (AML) reclamation projects completed under the Federal Reclamation Program (FRP). The objective is to utilize the VE concept wherever practical to ensure that FRP projects are reclaimed in the most cost-efficient manner while maintaining the quality and safety of the completed project.

2. Summary. Office of Management and Budget (OMB) Circular No. A-131 requires the use of VE by Federal Departments and agencies to identify and reduce nonessential procurement and program costs. The Department has an established VE program and has directed Interior agencies to implement VE where applicable. VE programs are applicable to offices which fund construction, repair, and rehabilitation of facilities.

Departmental Manual Part 369 (369 DM 1) establishes policy, assigns responsibility, and defines objectives, goals and actions required to maintain a productive VE program. This directive will supplement the Departmental Manual as it relates specifically to the FRP AML program. In order to avoid repetition of the provisions and requirements of 369 DM 1, it is attached as Appendix 1 to this directive.

3. Definitions.

a. Value Engineering. An organized team study of functions to creatively generate alternatives which will satisfy the user's needs at the lowest life cycle cost. It will not sacrifice performance, reliability, quality, maintainability or safety.

b. Value Engineering Program Manager (VEPM). The individual managing the VE Program in the Office of the Secretary, Office of Construction Management (OCM).

c. Value Engineering Program Coordinator (VEPC). Person responsible for management and coordination of VE activities for the agency.

d. Value Engineering Coordinator (VEC). An individual in each Support Center responsible for overall coordination of the program within that unit.

e. Value Engineering Review Board (VERB). A board composed of individuals in each Support Center including the Assistant Director (AD), the VEC and others appointed by the AD as appropriate. The VERB has decision making authority that allows immediate action to be taken on each VE study presented before it.

4. Policy/Procedures.

a. Policy. It is the Office of Surface Mining Reclamation and Enforcement (OSM) policy that:

(1) Emergency situations are exempt from VE analysis in order to expedite the abatement of such emergency dangers to the public. The VERB may consider VE for any appropriate abatement action that may be implemented in a non-emergency stage of the project.

(2) The annual fiscal year cost savings goal is four percent (4%) of the aggregate value of all projects over $500,000 in estimated project costs. Cost savings will be calculated by the VEC and submitted to the VEPC for inclusion in the annual VE report to the Department.

(3) All non-emergency projects with an estimated cost in excess of $1,000,000 will be subjected to VE study. Projects between $500,000 and $1,000,000 may be excluded from VE analysis if it is determined that estimated VE savings do not economically justify study and redesign costs. Justification for VE analysis exclusion shall be reported to the VEPM.

(4) Non-emergency projects below the $500,000 threshold will be considered for VE whenever poor value is identified by cost/worth determinations.

(5) All offices with FRP responsibilities will appoint a VEC to manage VE activities and serve as the principal contact for VE issues.

(6) A VERB will review all projects which are identified as potential recipients of VE and will decide what action is to be taken. The VE process will be conducted in accordance with the Department of the Interior VE Guidance Manual (Appendix 2). The VEPC, OSM Headquarters (HQ), is to be notified when such projects are identified.

(7) Initial FRP VE studies will be processed through the Office of Construction Management (PCM) in the Department's VE program.

(8) The application of VE principles to State reclamation projects funded through grants approved under the

authority of 30 CFR 886 is not required. However, contractor participation in the VE program is to be encouraged for projects exceeding $1,000,000.

b. Responsibilities.

(1) The Assistant Director, Reclamation and Regulatory Policy will be responsible for VE program policy and will appoint a VEPC at HQ.

(2) The Assistant Director, Western Support Center and the Assistant Director, Eastern Support Center will ensure a management structure that supports a long term productive VE program by:

(a) appointing a VEC.

(b) establishing a VERB to make recommendations on VE study presentations and assist in implementing recommendations.

(c) providing to the VEPC the expertise of specialized staff as necessary to assist in the VE process.

(3) The VEPC will maintain information about the VE program conforming to this Directive, Departmental Manual 369, and the DOI VE Guidance Manual.

(4) The VEC will notify the VEPC of impending VE studies and will submit an annual report of VE activities.

(5) Field Office Directors will encourage States/Tribes receiving AML grant funds to develop their own VE process to use in evaluating AML projects.

c. Procedures.

(1) When projects are identified as meeting the requirements for VE analysis the VERB will meet to determine what actions will be taken. The VEPC will be notified.

(2) VE analyses will be conducted in accordance with procedures outlined in the DOI VE Guidance Manual.

5. Reporting Requirements.

a. A VE Plan of Action will be prepared and submitted annually in accordance with 369 DM 1.8A. The Plan of Action will be prepared by each VEC and will list and prioritize specific projects for VE study. The Plan will be submitted to the VEPC by August 1 and forwarded (by the VEPC) to the VEPM by August 15 each year.

b. A summary report of VE activities will be prepared by the VEPC and submitted to the VEPM within 30 days after the end of each half of the fiscal year in accordance with 369 DM 1.8E. This report will consolidate and summarize field unit VE activities and will be used in the compilation of the annual VE report from OCM/DOI to OMB.

6. Effects on Other Documents. None.

7. References.

a. Departmental Manual Part 369.

b. Department of the Interior Value Engineering Guidance Manual.

8. Effective Date. Date of Issuance.

9. Contact. Division of Abandoned Mine Land Reclamation at (202) 208-5365.

10. Keywords. None

11. Appendices.

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| Appendix 1 | Departmental Manual Part 369 - VE |
| Appendix 2 | DOI VE Guidance Manual |
| Appendix 3 | DOI/OCM VE Annual Report Form |
| Appendix 4 | OMB VE Annual Report Form |