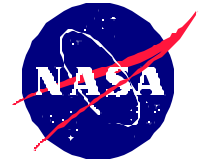


National Aeronautics and  
Space Administration

**Office of Inspector General**  
Headquarters  
Washington, D.C. 20546-0001



Reply to Attn of: W

May 18, 2001

TO: A/Administrator

FROM: W/Inspector General

SUBJECT: Assessment of Dreamtime Holdings, Inc. Activities at the Johnson Space Center, G-01-016

The NASA Office of Inspector General (OIG) reviewed NASA's management of Dreamtime Holdings, Inc. (Dreamtime) activities being conducted at NASA's Johnson Space Center (Johnson) under an established Space Act Agreement (Agreement) for collaboration on multi-media activities.<sup>1</sup> This Agreement constitutes the Agency's first major commercialization initiative relating to the International Space Station (ISS) and includes several unique provisions and features. Effective management of the Agreement is vital to ensure that NASA's rights and interests under the Agreement are protected.

The collaboration is intended to create new business opportunities based on potential public demand for high quality, live, and recorded still and video images of space scenes and activities, including those related to the assembly and operation of the ISS. Other stated objectives of the collaboration include: mutual promotion of space activities; generation of educational Web, documentary, and TV content; digitization of currently underutilized NASA archives; implementation of a Web-searchable multi-media database; shared use of state-of-the-art high definition television (HDTV) equipment placed on the ISS, Space Shuttles, and at NASA Centers and Jet Propulsion Laboratory (JPL) provided by Dreamtime; and shared use of state-of-the-art high definition editing stations provided by Dreamtime. In addition, NASA and Dreamtime will collaborate on the development of educational products and documentary programming with the goal of increasing the public awareness of the ISS and its related programs.

We identified several Agreement administration issues, especially pertaining to accountability and oversight, that should be addressed to ensure that the Government's rights and interests under the Agreement are protected. As a result, the report included nine recommendations aimed at facilitating effective management of the Agreement, addressing the need for

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<sup>1</sup> The Agency's authority to enter into Space Act Agreements is derived from paragraphs 203(c)(5) and 203(c)(6) of the National Aeronautics and Space Act of 1958 (Space Act), as amended.

increased emphasis on Agreement administration issues, especially pertaining to oversight and accountability matters. We believe the recommendations made in this report will increase NASA oversight and accountability of the Dreamtime Agreement. Management concurred with all nine recommendations contained in our report and indicated completed, initiated, or planned actions in response to our recommendations. We consider management's indicated actions to be responsive to 7 of 9 of our recommendations. However, we requested that management reconsider its response to recommendation 2, regarding relief of Agreement requirements and the negotiation of appropriate consideration, and recommendation 7 regarding oversight.

In response to recommendation 2, management emphasizes the collaborative nature of the Agreement and states that "collaborative relationships must necessarily be flexible" and that "Centers have the discretion to allow non-reimbursable use of its facilities and equipment if such use advances the interest of the Agency." However, while we recognize the collaborative nature of the Agreement, we continue to be concerned that NASA may be setting an inappropriate precedent by relieving Dreamtime of its Agreement responsibilities without negotiating adequate consideration. Therefore, we reiterated our recommendation that the Agency ensure that appropriate consideration is negotiated for any substantive changes to the terms of the Agreement and that the Agency consider negotiating a separate Agreement with Dreamtime on a reimbursable basis for use of any NASA-furnished property beyond what is provided for in the existing Agreement. We believe that these actions are necessary in order to maintain the integrity of the Agreement and to ensure that the Government's rights and interests are protected.

In response to recommendation 7 regarding periodic oversight of Dreamtime's on-site activities, NASA management again stresses the collaborative nature of the Agreement, but does not clearly indicate whether or not our specific recommendation will be implemented. Although we fully understand and recognize the unique nature of the Agreement (i.e., Dreamtime is considered a partner as opposed to a contractor), Dreamtime is not a governmental entity and should not be treated as such. Therefore, as a prudent practice and to meet its fiduciary responsibilities to U.S. taxpayers, we reiterated our recommendation that the Agency conduct periodic oversight of Dreamtime's on-site activities, including those conducted within its designated on-site office space. We believe that such regular, structured oversight is essential to ensure that Dreamtime's on-site activities are consistent with the terms of the Agreement and that Dreamtime's on-site personnel comply with all applicable NASA regulations and directives (as required by the Agreement), especially those pertaining to security and safety.

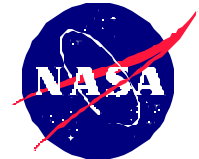
Roberta L. Gross

Enclosure

Assessment of Dreamtime Holdings, Inc. Activities at the Johnson Space Center, G-01-016

National Aeronautics and  
Space Administration

**Office of Inspector General**  
Headquarters  
Washington, D.C. 20546-0001



Reply to Attn of: W

May 18, 2001

**TO:** M/Associate Administrator for Space Flight

**FROM:** W/Assistant Inspector General for Inspections, Administrative  
Investigations, and Assessments

**SUBJECT:** Assessment of Dreamtime Holdings, Inc. Activities at the Johnson Space  
Center, G-01-016

The NASA Office of Inspector General (OIG) reviewed NASA's management of Dreamtime Holdings, Inc. (Dreamtime) activities being conducted at NASA's Johnson Space Center (Johnson) under an established Space Act Agreement (Agreement) for collaboration on multi-media activities.<sup>1</sup> This Agreement constitutes the Agency's first major commercialization initiative directly relating to the International Space Station (ISS) and includes several unique provisions and features.<sup>2</sup> Effective management of the Agreement is vital to ensure that NASA's rights and interests under the Agreement are protected.

## **I. BACKGROUND**

On May 17, 2000, following a competitive process,<sup>3</sup> NASA entered into a Space Act Agreement with Dreamtime for collaboration on multimedia activities. The stated term of the

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<sup>1</sup> The Agency's authority to enter into Space Act Agreements is derived from paragraphs 203(c)(5) and 203(c)(6) of the National Aeronautics and Space Act of 1958 (Space Act), as amended.

<sup>2</sup> One unique aspect of the Agreement is that while NASA will not provide any appropriated funds to Dreamtime, the Agreement contains a provision (Article II—NASA FINANCIAL BENEFITS) that provides for NASA to receive "gain-sharing benefits" from Dreamtime derived from the multi-media activities conducted under the Agreement, in accordance with the Space Station Commercial Development Demonstration Program (Public law 106-74, Title IV: Section 434, October 20, 1999). Specifically, this gain-sharing mechanism (incorporated into the Agreement via Amendment One dated February 1, 2000) provides NASA with "a contractual right for future payments substantially equivalent to the value of 6,250,000 shares [from an initial issuance of 25,000,000 shares] of Dreamtime's common stock." The Agreement states that NASA's share amount is subject to certain vesting requirements and will be adjusted as necessary "in the event of stock splits, stock dividends, or other reclassification events affecting Dreamtime's stock."

<sup>3</sup> The Space Act provides the Agency with broad discretion in establishing procedures for entering into Agreements thereunder. While the Federal procurement procedures set forth in the Federal Acquisition Regulation (FAR) and NASA FAR Supplement (NFS) are not applicable to Space Act Agreements, the

Agreement is 7 years from the date of the Agreement, with an option to extend for an additional 5-year period upon mutual agreement between NASA and Dreamtime. Dreamtime's partners in this agreement include Lockheed-Martin, Omnicom, and Endeavor Pictures.<sup>4</sup>

The collaboration is intended to create new business opportunities based on potential public demand for high quality, live, and recorded still and video images of space scenes and activities, including those related to the assembly and operation of the ISS. Other stated objectives of the collaboration include: mutual promotion of space activities; generation of educational Web, documentary, and TV content; digitization of currently underutilized NASA archives; implementation of a Web-searchable multi-media database; shared use of state-of-the-art high definition television (HDTV) equipment placed on the ISS, Space Shuttles, and at NASA Centers and Jet Propulsion Laboratory (JPL) provided by Dreamtime; and shared use of state-of-the-art high definition editing stations provided by Dreamtime. In addition, NASA and Dreamtime will collaborate on the development of educational products and documentary programming with the goal of increasing the public awareness of the ISS and its related programs.

The Associate Administrator for Space Flight is the NASA signatory for the Agreement. However, the Assistant to the Administrator for Commercialization is delegated the responsibility of implementing the Agreement. The Johnson Manager for Commercialization is responsible for managing all day-to-day technical and operational aspects of the Agreement. The Agreement Manager at NASA Headquarters is responsible for managing all contractual aspects of the Agreement.

## **II. NEED FOR INCREASED EMPHASIS ON AGREEMENT ADMINISTRATION ISSUES**

We identified several Agreement administration issues that should be addressed to ensure that the Government's rights and interests under the Agreement are protected.

### **A. Lack of Human Capital Resources for Agreement Management**

Several of the agreement administration issues that we identified during this inspection appear to be attributable to a lack of NASA human capital resources dedicated to managing the technical and contractual aspects of the Agreement. For example, we were told that there are

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documentation reviewed by the inspection team indicated that the Agency employed a formal structured evaluation and selection process.

NASA publicly advertised the opportunity to submit "entrepreneurial offers" for this endeavor. Of 12 offers received and evaluated by NASA, Dreamtime's offer was the only one selected for a Space Act Agreement.

<sup>4</sup> Dreamtime is also in discussions with Excite@Home regarding Excite@Home's possible participation in the effort.

currently no dedicated full-time personnel at Johnson assigned to support logistical management functions for the Agreement (i.e., scheduling, shipping and receiving, data management, property management, etc.). These functions are essential to the effective management and success of the Agreement and the lack of adequate human capital resources to manage these areas could jeopardize NASA's rights and interests under the Agreement.

**Recommendation 1:** The Associate Administrator for Space Flight should evaluate the existing level of resources dedicated to managing the Agreement and consider allocating additional resources to support the management of the critical logistical management functions.

## **B. NASA-Furnished Equipment Inconsistent with the Terms of the Agreement**

The Marshall Space Flight Center (Marshall) provided two Sony HDTV camcorders and related peripheral equipment in support of joint NASA/Dreamtime training activities at Johnson.<sup>5</sup> The Agreement specifically states that Dreamtime is responsible for providing this ground use equipment.<sup>6</sup> Marshall's providing the equipment appears inconsistent with the terms of the Agreement.

NASA officials stated that the Marshall equipment is being used for the joint activities on a temporary basis to avoid delaying technical implementation while awaiting Dreamtime's ground use HDTV equipment. Dreamtime is currently expected to provide this equipment in March/April 2001 (approximately 4 to 5 months after the delivery timeframe for this milestone established in the Agreement). According to NASA officials, once the Dreamtime equipment is received and put into use, NASA's equipment will be returned to Marshall.

We found no indication that NASA has sought or received any consideration in exchange for providing this equipment. Although we understand the programmatic reasons for providing this equipment (i.e., to avoid schedule slips in the technical implementation and to maintain the collaborative nature of the agreement), we are concerned that NASA is setting an inappropriate precedent by relieving Dreamtime of its Agreement responsibilities without receiving adequate consideration.

**Recommendation 2:** The NASA Headquarters Agreement Manager should ensure that appropriate consideration for NASA is negotiated for any substantive changes to the terms of the Agreement. Also, the Agreement Manager should consider negotiating a separate Agreement with Dreamtime on a reimbursable basis for use of any NASA-furnished property beyond what is provided for in the existing Agreement.

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<sup>5</sup> According to NASA officials, the estimated total value of this equipment is \$185K.

<sup>6</sup> Annex 3, Paragraph II.A, of the Agreement requires Dreamtime to provide "HDTV cameras to Johnson for documentation including astronaut training activities" in addition to other equipment for use at Kennedy Space Center and Marshall during Phase I of the effort (first 6 months). Since the Agreement was executed on May 17, 2000, Dreamtime should have provided this equipment by not later than November 17, 2000.

### C. Need For Improved Tracking and Accountability of Government-Provided and Dreamtime-Provided Resources

The Agreement describes in detail NASA's and Dreamtime's mutually agreed-upon access provisions for certain on-orbit and Earth-to-orbit NASA assets.<sup>7</sup> In addition, Section 3.1 of the Agreement states that "NASA will provide Dreamtime with access to NASA's terrestrial facilities and personnel to enable Dreamtime to perform its responsibilities under this Agreement." Other than describing this access as "priority access,"<sup>8</sup> the Agreement is vague regarding the parameters of such access to NASA's facilities and personnel.

We were informed that Dreamtime's access to Johnson facilities and personnel is currently limited to office space for a maximum of 15 Dreamtime representatives (only 5 are actually housed on-site at this time),<sup>9</sup> Local Area Network (LAN) connectivity to the Internet, and telephone service.<sup>10</sup> In addition, NASA intends to provide Dreamtime with access to NASA's Test/TV/Digitizing facilities in support of the NASA/Dreamtime integration and flight tests, documentary programming, and digitization of NASA's archives.<sup>11</sup>

NASA officials at Johnson appear to have a good understanding of the specific NASA resources to which Dreamtime has access. There also appears to be a clear and consistent understanding between Dreamtime and NASA officials regarding access protocols. However, we were told that there is currently no formal documentation specifying the facilities, equipment, and other Government resources provided by NASA to Dreamtime for use under the Agreement. This lack of formal documentation presents Government resources tracking and accountability risks to NASA, especially considering the broad scope and the unique nature of this Agreement.<sup>12</sup>

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<sup>7</sup> Examples of such on-orbit and Earth-to-orbit assets include launch and return services, an allocation of Space Shuttle crew time, an allocation of data transmission capacity, and an allocation of Rack Site resources and power.

<sup>8</sup> Annex 4 of the Agreement defines "priority access" as the following order of importance: "(1) NASA Safety; (2) NASA Mission; (3) Breaking news events or previously scheduled events for hard news purposes (for these events, other media may be provided equal access but will not be provided better access than Dreamtime); (4) Dreamtime-NASA Collaboration; and (5) other production events, e.g. documentaries."

<sup>9</sup> NASA officials anticipate that Dreamtime personnel will remain on-site for the duration of the Agreement.

<sup>10</sup> Dreamtime's on-site personnel use Dreamtime-owned laptops, printers, cell phones, and other related peripheral equipment.

<sup>11</sup> NASA officials stated that the Agency is considering providing Dreamtime with access to these facilities on a reimbursable basis. However, the specific terms have not been finalized, as negotiations with Dreamtime on this issue are ongoing.

<sup>12</sup> The Agreement is not a procurement contract and procurement laws and regulations are not applicable. Therefore, it does not incorporate FAR and/or NFS requirements and procedures pertaining to the tracking and accountability of Government-furnished property and access to Government facilities.

In addition, formal documentation is lacking specifying the Dreamtime-owned property provided for use under the Agreement. The terms of the Agreement obligate NASA to certain custodial responsibilities for applicable Dreamtime on-orbit and terrestrial equipment.<sup>13</sup> Specifically, the Agreement requires NASA to perform the on-orbit maintenance for Dreamtime equipment and to ultimately return the equipment to Dreamtime. Furthermore, the Agreement obligates NASA to “share the maintenance of the [Dreamtime-provided] terrestrial equipment” and to work jointly with Dreamtime to “develop a maintenance plan using NASA maintenance and Dreamtime resources in an effective manner.”<sup>14</sup> The lack of formal documentation identifying the specific Dreamtime property for which NASA is accountable presents undue risk of future disagreements as to what Dreamtime property NASA is responsible for, and may jeopardize NASA’s ability to meet its custodial responsibilities under the Agreement.

**Recommendation 3:** To facilitate tracking and accountability of Government-provided resources, the NASA Headquarters Agreement Manager should document all Government resources provided to Dreamtime for its use under the Agreement (including those at Johnson and any other NASA Centers) and formally incorporate such documentation requirement into the Agreement.

**Recommendation 4:** To facilitate tracking of Dreamtime-provided equipment for which NASA is accountable and to ensure that NASA is able to meet its custodial responsibilities imposed by the Agreement, the NASA Headquarters Agreement Manager should document all applicable Dreamtime equipment provided for use under the Agreement. Also, the Agreement Manager should expedite the development of a maintenance plan (jointly with Dreamtime) as stipulated in the Agreement.

#### **D. Need For Improved Communication of NASA Regulations and Directives**

Currently, there are five Dreamtime employees located on-site at Johnson—four are located on the first floor of Building 12 and one is located in the ISS Program Office suite in Building 1. These individuals have worked on-site at Johnson beginning in August 2000. All were issued NASA/Johnson permanent contractor badges.

Section 3.4 of the Agreement requires Dreamtime personnel (and those of its team members) to comply with all applicable NASA regulations and directives, with particular attention to those related to security and safety, while on U.S. Government installations. However, despite this Agreement provision, the four Dreamtime on-site employees in Building 12 indicated that they have not received any written copies of applicable NASA regulations and directives (including those relating to security and safety issues), nor have they been advised where to find such information (either in paper form or electronically via a NASA web site).

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<sup>13</sup> Article I, paragraphs 1.1.1(a) and (b) of the Agreement address on-orbit and terrestrial property requirements and responsibilities.

<sup>14</sup> NASA officials stated that this maintenance plan has not yet been developed.

Furthermore, the Dreamtime personnel have not attended, nor been informed, of any Johnson security and safety briefings.

**Recommendation 5:** The Johnson Manager for Commercialization should establish appropriate procedures to ensure that the Dreamtime on-site personnel are made aware of and have access to all existing and future applicable NASA regulations and directives, particularly those related to security and safety.

**Recommendation 6:** The Johnson Manager for Commercialization should establish appropriate procedures to ensure that the Dreamtime on-site personnel are made aware of future security and safety briefings offered on-site at Johnson and encourage their participation in such briefings.

### **E. Need for Increased Oversight**

Under the terms of this unique agreement, Dreamtime is not considered a contractor for NASA, but rather is considered to be a “partner” for purposes of the joint multi-media effort. Notwithstanding the unique nature of this relationship, NASA’s regular oversight of Dreamtime’s on-site activities would be a prudent practice. Such oversight is necessary to ensure that Dreamtime’s on-site activities are consistent with the terms of the Agreement. NASA must also ensure that Dreamtime’s on-site employees are compliant with all applicable NASA regulations and directives, especially those pertaining to security and safety.

Johnson’s Manager for Commercialization is primarily responsible for managing the technical issues under the Agreement and is the NASA official who works most closely with the on-site Dreamtime personnel. The Manager for Commercialization maintains daily contact with the senior Dreamtime representatives in addition to conducting weekly “tag-ups” with the team and quarterly comprehensive team meetings. The Manager for Commercialization and the Dreamtime representatives also appear to have a clear and consistent understanding regarding their respective limitations, roles, and responsibilities under the Agreement. However, interviews with Johnson officials and Dreamtime on-site personnel indicated that there is little or no NASA oversight of Dreamtime’s activities within Dreamtime’s designated on-site office space.

**Recommendation 7:** The Johnson Manager for Commercialization, or another designated NASA official, should conduct periodic oversight of Dreamtime’s on-site activities, including those conducted within its designated on-site office space. For example, effective oversight may be accomplished by periodic unannounced walk-throughs by the designated NASA official(s) to observe Dreamtime’s on-site office space and activities. All oversight activities and findings should be documented and retained by the designated NASA official.



## **F. Need for Signed Acknowledgement Statements Regarding Use of NASA Information Technology (IT) Resources**

As stated previously, NASA is furnishing LAN connectivity to the Internet to Dreamtime on-site personnel. The computer equipment is Dreamtime-owned and the Dreamtime representatives only have direct access to NASA's public Internet sites.<sup>15</sup> Under this arrangement, NASA is essentially acting as an Internet Service Provider for Dreamtime on-site personnel.

Government computer systems may be targets of hostile activities or subject to other forms of unauthorized use. To counter these activities, the NASA Chief Information Officer (CIO) issued guidance on IT security warning banners.<sup>16</sup> In order to deter misuse and notify all users that their activities may be monitored, NASA computer systems are required to contain a warning banner stating that activities may be monitored, including the monitoring of keystrokes. Although Dreamtime's computer equipment is not owned or directly funded by NASA, Johnson officials have the responsibility to ensure that Johnson's LAN is being used in accordance with the Center's policy regarding the appropriate use of NASA IT Resources.<sup>17</sup>

**Recommendation 8:** To facilitate awareness and compliance with NASA's policies regarding the use of its IT resources, the Johnson Manager for Commercialization should obtain, and retain on file, signed written acknowledgment statements from each Dreamtime representative located on-site.<sup>18</sup>

## **G. Need for Increased Identification/Differentiation of Dreamtime's Designated Office Space and Personnel**

For the most part, Johnson officials appear to take adequate measures to identify and differentiate Dreamtime's designated office space and personnel to avoid potential

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<sup>15</sup> Dreamtime has no system access privileges, Government accounts, or e-mail accounts (i.e., "nasa.gov" e-mail addresses). Dreamtime representatives access e-mail by logging on to their company Internet site.

<sup>16</sup> Letter from the NASA CIO titled *Guidance on Information Technology Security Warning Banners*, dated February 3, 1999.

<sup>17</sup> This policy is set forth in JSC (Johnson) Announcement 99-057 (10/22/99) titled *Johnson's Policy on Use of NASA Information Technology (IT) Resources*.

<sup>18</sup> Suggested language for such an acknowledgement statement is as follows but should be coordinated with the Johnson CIO and IT Security Manager:

I acknowledge that by connecting to a Government computer network, I agree to abide by NASA's policies regarding the appropriate use of NASA Information Technology resources. While connected to a Government computer network, I consent to monitoring including monitoring of keystrokes for network security purposes. I further acknowledge that unauthorized or illegal use of a Government computer network may subject me to disciplinary action and/or criminal prosecution.

compromises of classified, proprietary, or otherwise sensitive NASA and NASA contractor information. For example, Dreamtime's designated office space located in Building 12 is physically separated from other NASA and NASA contractor offices. Also, a sign is placed outside the office suite identifying the space as Dreamtime-occupied space. Finally, all on-site Dreamtime employees were issued permanent contractor badges to identify them as other than civil service personnel.

However, we did identify a potential vulnerability relating to Dreamtime's designated office space located in Building 1. Specifically, Dreamtime's Senior Vice President for Multimedia is located in an office within the ISS Program Office suite, which is in close proximity with NASA ISS Program personnel and information. There is no posted sign identifying this particular office as a Dreamtime-occupied office, nor is there any other differentiation between this office and the ISS Program officials' offices within the office area.

Although the Dreamtime representative located in this office was issued a permanent contractor badge, there is increased risk of this individual being mistaken for a NASA official by virtue of his location within the ISS Program Office suite and the lack of additional identifiers. As a result, this arrangement presents increased risk that classified, proprietary, or otherwise sensitive NASA and NASA contractor information could be compromised.

**Recommendation 9:** The Johnson Manager for Commercialization should take appropriate measures to appropriately identify and differentiate all Dreamtime designated occupied office space and personnel to the maximum extent practicable.

### **III. SUMMARY AND EVALUATION OF NASA MANAGEMENT RESPONSE**

We received NASA management's response to the draft report (see Appendix A). NASA management concurred with all nine recommendations contained in our report and indicated completed, initiated, or planned actions in response to our recommendations. We consider management's indicated actions to be responsive to 7 of 9 of our recommendations and consider these 7 recommendations resolved pending verification of corrective action.

In response to recommendation 2 regarding relief of Agreement requirements and negotiation of appropriate consideration, NASA management emphasizes the collaborative nature of the Agreement and states that "collaborative relationships must necessarily be flexible" and that "Centers have the discretion to allow non-reimbursable use of its facilities and equipment if such use advances the interest of the Agency." However, while we recognize the collaborative nature of the Agreement, we continue to be concerned that NASA may be setting an inappropriate precedent by relieving Dreamtime of its Agreement responsibilities without negotiating adequate consideration.

NASA Procedures and Guidelines (NPG) 1050.1, *Space Act Agreements Manual*, establishes written guidelines for entering into Space Act agreements. The following language is from Section 1.2.6, *Financial Obligations*, of this manual:

For nonreimbursable agreements, the contribution of the other party must be adequate compared to NASA's contribution. Before a nonreimbursable agreement is executed, an estimate of the value of the NASA resources to be committed under the agreement must be prepared using full cost accounting values. This estimate provides the authorizing official a basis for finding that the proposed contribution of the non-NASA party represents an adequate quid quo pro in light of the NASA purpose to be served and the NASA resources to be committed.

Presumably, the Agency performed such an analysis and determined prior to executing the Agreement that the parties' respective contributions, as specified in the Agreement, represent "an adequate quid quo pro." Therefore, NASA providing equipment that Dreamtime is obligated to provide (such as the case with the temporary provision of the two Sony HDTV camcorders and related peripheral equipment), or otherwise relieving Dreamtime of its Agreement responsibilities, upsets the quid quo balance established in the Agreement.

We reiterate our recommendation that the Agency ensure that appropriate consideration is negotiated for any substantive changes to the terms of the Agreement and that the Agency consider negotiating a separate Agreement with Dreamtime on a reimbursable basis for use of any NASA-furnished property beyond what is provided for in the existing Agreement. We believe that these actions are necessary in order to maintain the integrity of the Agreement and to ensure that the Government's rights and interests are protected.

In response to recommendation 7 regarding oversight, NASA management again stresses the collaborative nature of the Agreement, but does not clearly indicate whether or not our specific recommendation will be implemented. Although we fully understand and recognize the unique nature of the Agreement (i.e., Dreamtime is considered a partner as opposed to a contractor), Dreamtime is not a governmental entity and should not be treated as such. Therefore, as a prudent practice and to meet its fiduciary responsibilities to U.S. taxpayers, we reiterate our recommendation that the Agency conduct regular oversight of Dreamtime's on-site activities, including those conducted within its designated on-site office space. We believe that such regular, structured oversight is essential to ensure that Dreamtime's on-site activities are consistent with the terms of the Agreement and that Dreamtime's on-site personnel are compliant with all applicable NASA regulations and directives (as required by the Agreement), especially those pertaining to security and safety.

We request that NASA management reconsider its actions in response to recommendations 2 and 7 and notify our office in writing of its planned actions.

#### **IV. CONCLUSION**

Effective management of the Agreement is essential in order to ensure that the Government's rights and interests thereunder are protected, especially considering the unique nature of this arrangement. We found that NASA's management of the Agreement activities at Johnson is

generally effective. However, to ensure that the Government's rights and interests are protected, more emphasis should be placed on Agreement administration issues, especially pertaining to oversight and accountability issues. We believe the recommendations we make in this report will increase NASA oversight and accountability of the Dreamtime Agreement. We will conduct follow up activities relating to the Agreement as necessary.

[original signed by]

David M. Cushing

3 Enclosures:

Appendix A: NASA Management Response

Appendix B: Report Distribution

NASA Office of Inspector General Reader Survey

**MAJOR CONTRIBUTORS TO THIS REPORT**

Joseph Kroener, Procurement Analyst (team leader)  
Connia Webb, Auditor

# **Appendix A**

## **NASA Management Response**

National Aeronautics and  
Space Administration  
**Headquarters**  
Washington, DC 20546-0001



APR 13 2001

Reply to Attn of:

**M**

**TO:** W/Assistant Inspector General for Inspections, Administrative  
Investigations, and Assessments

**FROM:** M/Associate Administrator for Space Flight

**SUBJECT:** Assessment of Dreamtime Holdings, Inc., Activities at  
Johnson Space Center, G-01-016, Draft Report

This responds to your review of NASA's management of the activities being conducted at the Johnson Space Center (JSC) under the Agency's multimedia collaboration with Dreamtime Holdings, Inc. (Dreamtime).

Based on authority contained in the 1998 Commercial Space Act, the NASA/Dreamtime Space Act Agreement (Agreement) is the Agency's initial, public/private collaboration seeking to demonstrate the commercial feasibility of the International Space Station (ISS). The Agreement is the first in what we believe will be a number of mutually beneficial public/private collaborations utilizing the unique capabilities of the ISS. Our intention is to implement this first agreement in a manner that demonstrates NASA's ongoing commitment to effective commercial involvement in the ISS program.

As correctly noted in your report, the Dreamtime Agreement is unique in many ways, primarily in the fact that it is not a procurement where one party pays another for goods and services, but a collaboration between the parties where each provides value to accomplish mutually agreed goals. While NASA has limited experience with such Agreements on a large, multi-year effort with the commercial sector, it has over the years developed its collaborative practice in the international arena where it has successfully accomplished many space and aeronautics projects through partnerships with foreign entities. Indeed, the ISS is the largest scientific collaboration ever undertaken. Therefore, many of the provisions of the Dreamtime Agreement and much of its management build on the successful history of international collaborations. The relationship between NASA and Dreamtime is that of a collaboration, not that of a contractor or supplier.

With that background, we consider it essential to respond to your specific recommendations in a manner that advances the long-term collaborative relationship and does not encourage NASA or Dreamtime employees to act in a more traditional contract oversight/contractor relationship. From that perspective, we are committed to taking reasonable actions to concur with the spirit of all of your recommendations, as detailed below:

**Recommendation 1:** The Associate Administrator for Space Flight should evaluate the existing level of resources dedicated to managing the Agreement and consider allocating additional resources to support the management of the critical logistical management functions.

**Management Response:** Concur. As the parties increase their activities under the Agreement we will re-examine the level of staffing.

**Recommendation 2:** The NASA Headquarters Agreement Manager should ensure that appropriate consideration for NASA is negotiated for any substantive changes to the terms of the Agreement. Also, the Agreement Manager should consider negotiating a separate Agreement with Dreamtime on a reimbursable basis for use of any NASA-furnished property beyond what is provided for in the existing Agreement.

**Management Response:** Concur. Collaborative relationships must necessarily be flexible. Clearly major changes to the goals of the agreement will require deliberation and may require formal modification of the formal Agreement. For instance, the recently announced restructuring necessitated by NASA ISS budget challenges will result in significant consultation between NASA and Dreamtime about the impact on Dreamtime's plans.

Under current Agency guidance, Centers have discretion to allow non-reimbursable use of its facilities and equipment if such use advances an interest of the Agency. Although the Centers do not have authority to amend the terms and conditions of Headquarter's agreements, they are authorized to take actions necessary to implement those agreements. Here, it was determined that temporary use of Agency equipment served a programmatic need. We believe that the Agency must be able to respond flexibly to just such exigencies and that the JSC Commercialization Manager correctly exercised that discretion. Any substantive changes to the terms of agreement will be through written amendments to the agreement, including an explication of consideration to either party if warranted.

We believe that the Agency must be able to respond flexibly to just such exigencies and that the JSC Commercialization Manager correctly exercised that discretion.

**Recommendation 3:** To facilitate tracking and accountability of Government-provided resources, the NASA Headquarters Agreement Manager should document all Government resources provided to Dreamtime for its use under the Agreement (including those at Johnson and any other NASA Centers) and formally incorporate such documentation requirement into the Agreement.

**Recommendation 4:** To facilitate tracking of Dreamtime-provided equipment for which NASA is accountable and to ensure that NASA is able to meet its custodial responsibilities imposed by the Agreement, the NASA Headquarters Agreement Manager should document all applicable Dreamtime equipment provided for use under the Agreement. Also, the Agreement Manager should expedite the development of a maintenance plan (jointly with Dreamtime) as stipulated in the Agreement.

**Management Response to 3&4:** Concur. We are pleased that you found that NASA and Dreamtime already evidence "clear and consistent understanding ...regarding access" to NASA facilities. We generally agree that greater documentation will be



necessary as the Agreement moves into more complex phases over the next few years. The parties are in the process of implementing a number of planning tools designed to accomplish the following: a) document plans in sufficient detail to assess functional resource requirements (with an emphasis on Agreement unique resources); b) status those plans; and c) track and assess performance of key activities and achievement of anticipated agreement benefits. In addition, the Agreement already calls for an annual report that would indicate not only NASA, but also Dreamtime, resources expended. We believe that we should await the first report before determining whether further tracking or documentation is necessary. We agree with your suggestion that when Dreamtime equipment is identified and provided, a joint maintenance plan should be developed.

**Recommendation 5:** The Johnson Manager for Commercialization should establish appropriate procedures to ensure that the Dreamtime on-site personnel are made aware of and have access to all existing and future applicable NASA regulations and directives, particularly those related to security and safety.

**Recommendation 6:** The Johnson Manager for Commercialization should establish appropriate procedures to ensure that the Dreamtime on-site personnel are made aware of future security and safety briefings offered on-site at Johnson and encourage their participation in such briefings.

**Management Response to 5&6:** Concur. The JSC Commercialization Manager has formally advised Dreamtime personnel of NASA security, safety and other regulations and directions and all Dreamtime personnel are being included in the distribution of all future security and other directives in the same way as all other on-site personnel.

**Recommendation 7:** The Johnson Manager for Commercialization, or another designated NASA official, should conduct regular oversight of Dreamtime's on-site activities, including those conducted within its designated on-site office space. For example, effective oversight may be accomplished by periodic unannounced walk-throughs by the designated NASA official(s) to observe Dreamtime's on-site office space and activities. All oversight activities and findings should be documented and retained by the designated NASA official.

**Management Response:** Concur. As part of the collaborative process between NASA and Dreamtime, we want to encourage both parties to be aware of and deliberate about the plans and activities of the other party. From this perspective, it is important that the appropriate NASA personnel interact regularly and informally with Dreamtime personnel. Significant issues identified by either party will be discussed and documented during regularly scheduled coordination meetings between the parties. These meetings now occur roughly once every quarter.

**Recommendation 8:** To facilitate awareness and compliance with NASA's policies regarding the use of its IT resources, the Johnson Manager for Commercialization should obtain, and retain on file, signed written acknowledgment statements from each Dreamtime representative located on-site.

**Management Response:** Concur. All on-site Dreamtime employees have signed a statement acknowledging understanding and compliance with all JSC information technology requirements.

**Recommendation 9:** The Johnson Manager for Commercialization should take appropriate measures to appropriately identify and differentiate all Dreamtime designated occupied office space and personnel to the maximum extent practicable.

**Management Response:** Concur. Appropriate measures have been taken to identify and differentiate all Dreamtime occupied space.

In conclusion, we are pleased to implement your specific recommendations in a manner consistent with promoting an overall culture of flexible collaboration between NASA and Dreamtime. Effecting a culture of this kind is essential for Dreamtime and for all future commercial participants in the ISS program. If you have any questions, please contact Mr. Daniel Tam at 358-1404.



Joseph H. Rothenberg

cc:  
AI/Dr. Mulville  
AJ/Mr. Tam  
G/Mr. Frankle  
HK/Mr. Horvath  
J/Mr. Sutton  
JM/Mr. Werner  
MX/Ms. Gabourel  
JSC/BD5/Ms. Ritterhouse

# **Appendix B**

## **Report Distribution**

## **Distribution**

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AI/Associate Deputy Administrator  
AJ/Assistant to the Administrator for Commercialization  
B/Acting Chief Financial Officer  
B/Comptroller  
F/Associate Administrator for Human Resources & Education  
G/General Counsel  
H/Associate Administrator for Procurement  
J/Associate Administrator for Management Systems  
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L/Associate Administrator for Legislative Affairs  
M/Associate Administrator for Space Flight  
P/Associate Administrator for Public Affairs  
R/Associate Administrator for Aerospace Technology  
Y/Associate Administrator for Earth Science  
Director/Ames Research Center  
Director/Glenn Research Center  
Director/Goddard Space Flight Center  
Director/George C. Marshall Space Flight Center

### **NASA Advisory Official:**

Chairman, NASA Advisory Committee

### **Non-NASA Federal Organizations and Individuals:**

Assistant to the President for Science and Technology Policy  
Deputy Associate Director, Energy and Science Division, Office of Management and Budget  
Budget Examiner, Energy Science Division, Office of Management and Budget  
Associate Director, National Security and International Affairs Division,  
General Accounting Office  
Professional Assistant, Senate Subcommittee on Science, Technology, and Space

**Chairman and Ranking Minority Member of each of the following Congressional Committees and Subcommittees:**

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Senate Subcommittee on VA-HUD-Independent Agencies  
Senate Committee on Commerce, Science and Transportation  
Senate Subcommittee on Science, Technology and Space  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on VA-HUD-Independent Agencies  
House Committee on Government Reform and Oversight  
House Subcommittee on National Security, International Affairs, and Criminal Justice  
House Committee on Science  
House Subcommittee on Space and Aeronautics

**Congressional Member:**

Honorable Pete Sessions, U.S. House of Representatives

**Public Distribution:**

NASA Office of Inspector General Internet Site:  
<http://www.hq.nasa.gov/office/oig/hq/inspections/closed.html>

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### Report: Assessment of Dreamtime Holdings, Inc. Activities at the Johnson Space Center, G-01-016

Please circle the appropriate rating for the following statements.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A
1. The report was clear and readable	5	4	3	2	1	N/A
2. The report was logically organized	5	4	3	2	1	N/A
3. The report was concise and to the point	5	4	3	2	1	N/A
4. The facts were presented fairly and accurately	5	4	3	2	1	N/A
5. The report contained sufficient information to support the finding(s) in a balanced and objective manner	5	4	3	2	1	N/A
6. The recommendation(s) made sense and were relevant	5	4	3	2	1	N/A
7. The recommendation(s) were timely	5	4	3	2	1	N/A

*Overall, how would you rate the report?*

- |           |      |
|-----------|------|
| Excellent | Fair |
| Very Good | Poor |
| Good      |      |

*How could we improve the report?* \_\_\_\_\_

\_\_\_\_\_

*Are there steps we should have taken, but didn't?* \_\_\_\_\_

\_\_\_\_\_

*Is there anything else we should have done differently?* \_\_\_\_\_

\_\_\_\_\_

*How did you use the report?* \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Can you suggest any additional (related or unrelated) issues that the NASA Office of Inspector General should review? (You can also call our anonymous 24-hour Hotline at 1-800-424-9183)* \_\_\_\_\_  
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*Additional comments* \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

***Your occupation***

Congressional Staff                      Media  
NASA Employee                              Public Interest  
Private Citizen                                Other: \_\_\_\_\_  
Government: Federal: \_\_\_\_\_ State: \_\_\_\_\_ Local: \_\_\_\_\_

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