

**AUDIT  
REPORT**

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**KENNEDY SPACE CENTER  
PROPOSED MEDIA CENTER**

**September 18, 2000**

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National Aeronautics and  
Space Administration

**OFFICE OF INSPECTOR GENERAL**

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## **Acronyms**

CFO	Chief Financial Officer
NPD	NASA Policy Directive
NPG	NASA Procedures and Guidelines
OIG	Office of Inspector General

W

September 18, 2000

TO: A/Administrator

FROM: W/Inspector General

SUBJECT: INFORMATION: Kennedy Space Center Proposed Media Center  
Report Number IG-00-047

The NASA Office of Inspector General has completed an audit of the proposed media center at the Kennedy Space Center (Kennedy). We found that Kennedy does not have a documented requirement or justification for the proposed media center. Additionally, preliminary plans to finance media center construction costs with nonappropriated funds provided by the Kennedy Visitor Complex Concessioner may be outside the scope of NASA's concessioner agreement. As presently proposed, constructing the media center could result in the redirection of about \$5 million from Kennedy's Public Visitor Program to the Visitor Complex Concessioner over 10 years for reimbursement of up-front construction costs and cost overruns.<sup>1</sup>

## **Background**

Located within the boundaries of the NASA Press Site<sup>2</sup> at Kennedy are 15 trailers owned by news media organizations, which use the trailers during high-profile events such as Space Shuttle launches.<sup>3</sup> The trailers are located on NASA-owned property leased<sup>4</sup> to the news media organizations. As part of an overall effort to beautify the Center, the Kennedy Center Director has indicated to the media organizations that the land leases will not be renewed. The Kennedy Center Director asked the Kennedy Visitor Complex Concessioner to investigate replacing the trailers with a permanent structure funded with nonappropriated funds. Under this proposal, the Kennedy Visitor Complex Concessioner will use corporate capital to fund the construction of a permanent facility and then will operate and maintain the media center including leasing the space in the facility to interested media organizations. NASA will

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<sup>1</sup> NASA has recommended that cost overruns, if any, associated with constructing the media center, up to a ceiling of \$1 million, also be paid from nonappropriated funds provided by the Kennedy Visitor Complex Concessioner.

<sup>2</sup> The NASA Press Site is located south of the Vehicle Assembly Building at Kennedy. The location accommodates press agency trailers, buildings, the NASA Media Center, and a launch-viewing stand.

<sup>3</sup> In some instances, certain media organizations staff their trailers full time.

<sup>4</sup> NASA currently receives a total of \$17,410 annually for trailer site leases from the 15 news media organizations.

compensate the concessioner for the \$3 million in up-front construction costs by modifying the award fee portion of the current concessioner agreement. Title in the media center facility shall vest in the Government.

### **Recommendations**

We recommended that the Director, John F. Kennedy Space Center (1) develop a Functional Requirements Statement and Requirements Document for the proposed media center project in accordance with Agency requirements, (2) submit the media center project along with the proposed method of financing to the NASA Headquarters Director of Facilities Engineering for review and approval, and (3) document the justification for the predominant use of the proposed media center before making a determination concerning use of nonappropriated funds for construction.

### **Management's Response**

Management concurred with the finding and recommendations. Management agreed to develop a Functional Requirements Statement and a Requirements Document. Additionally, management will submit the project to NASA Headquarters for the appropriate review and approval. Prior to proceeding with construction, the Contracting Officer will ensure that all the requirements of law, regulation, and the Concession Agreement have been met; all applicable procedures have been followed; and the basis for the use of nonappropriated funds is documented.

Details on the status of the recommendations are in the recommendations section of the report.

**[original signed by]**

Roberta L. Gross

Enclosure

Final Report on Audit of Kennedy Space Center Proposed Media Center

**FINAL REPORT**  
**AUDIT OF KENNEDY SPACE CENTER**  
**PROPOSED MEDIA CENTER**

W

September 18, 2000

TO: AA/Director, John F. Kennedy Space Center  
J/Associate Administrator for Management Systems

FROM: W/Assistant Inspector General for Auditing

SUBJECT: Final Report on Audit of Kennedy Space Center Proposed Media Center  
Assignment Number A0003300  
Report Number IG-00-047

The subject final report is provided for your information and use. Our evaluation of your response is incorporated into the body of the report. The recommendations will remain open for reporting purposes until corrective action is completed. Please notify us when action has been completed on the recommendations, including the extent of testing performed to ensure corrective actions are effective.

If you have questions concerning the report, please contact Mr. Kevin J. Carson, Program Director, Safety and Technology Audits, at (301) 286-0498, or Ms. Diane R. Choma, Auditor-in-Charge, at (301) 286-6443. We appreciate the courtesies extended to the audit staff. The final report distribution is in Appendix C.

**[original signed by]**

Russell A. Rau

Enclosure

cc:

B/Chief Financial Officer

B/Comptroller

BF/Director, Financial Management Division

G/General Counsel

JM/Acting Director, Management Assessment Division

JX/Director, Facilities Engineering Division

M/Associate Administrator for Space Flight

# NASA Office of Inspector General

IG-00-047  
A0003300

September 18, 2000

## Kennedy Space Center Proposed Media Center

### Introduction

The NASA Office of Inspector General (OIG) has completed an audit of the proposed media center at the John F. Kennedy Space Center (Kennedy). The proposed media center will house several news media organizations that are currently located in trailers at Kennedy. The Kennedy Visitor Complex Concessioner is considering financing the up-front construction costs of the media center with about \$3 million in nonappropriated funds.

The overall objective of the audit was to evaluate the propriety of Kennedy's proposed plan to construct a media center at the Center's current press site. The specific objective was to determine whether the use of nonappropriated funds provided by the Kennedy Visitor Complex Concessioner for constructing the media center is appropriate and to analyze concessions granted by NASA in exchange for the use of those funds.

Appendix A contains further details on the audit objectives, scope, and methodology.

### Results in Brief

Kennedy does not have a documented requirement or justification for the proposed media center. In addition, preliminary plans to finance media center construction costs of approximately \$3 million with nonappropriated funds provided by the current Kennedy Visitor Complex Concessioner may be outside the scope of NASA's concessioner agreement. As presently proposed, constructing the media center could result in the redirection of about \$5 million from Kennedy's Public Visitor Program to the Visitor Complex Concessioner over ten years for reimbursement of up-front construction costs and cost overruns.

### Background

The 15 trailers the news media organizations use at Kennedy are located on NASA-owned property, which is leased<sup>5</sup> to those organizations. The trailers are considered to be both an eyesore and a potential safety hazard, and the Kennedy Center Director has indicated to the media organizations that the land leases will not be renewed. The Kennedy Center Director has asked the Kennedy Visitor Complex Concessioner to investigate replacing the trailers with a permanent structure funded with nonappropriated funds. Under this proposal, the Kennedy Visitor Complex

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<sup>5</sup> NASA currently receives a total of \$17,410 annually for trailer site leases from the 15 news media organizations.



Concessioner will use corporate capital to fund the construction of a permanent facility. The concessioner will operate and maintain the media center and will lease space in the facility to interested media organizations. NASA will compensate the concessioner for the \$3 million in up-front construction costs by modifying the award fee portion of the current concessioner agreement. Title in the media center facility shall vest in the Government.

NASA awarded concessioner agreement NAS10-12215 to Delaware North Parks Services of Spaceport Inc. (Delaware North) in 1995 with a period of performance through 2005. The agreement conveys to Delaware North the responsibility, under NASA's oversight, for management and operation of the Kennedy Visitor Complex and for implementation of the Public Visitor Program. NASA established the Public Visitor Program to help implement its statutory obligation to communicate information about NASA programs and the results thereof by providing public access to Kennedy, a broad range of information activities, and visitor services.

The annual budget process provides the means for the authorization and financing of facility projects at NASA. This process includes reviews of NASA's annual budget request by Congress. Prior to congressional action, NASA Headquarters officials perform a detailed review of individual Center proposals for facility construction. Documents supporting a proposed facility construction project must clearly and completely justify the need for the proposed project and identify the total estimated cost of the project. Only those projects supported by the NASA Administrator are included in the Agency's proposed budget.

The Director of NASA's Facilities Engineering Division is the Agency's functional leader and technical authority for NASA facility matters, including master planning, facility requirements analysis and planning, economic analysis of alternative solutions, design, construction, facilities budgeting strategy, acquisition and leasing, maintenance, utilization, and disposal.

## **Construction of Proposed Media Center**

**Finding.** Kennedy does not have a documented requirement or justification for the media center project. In addition, preliminary plans for the proposed media center do not support the funding of its construction with nonappropriated funds. This condition exists because Kennedy has not adequately justified that the predominant purpose of the facility is for the enhancement of Kennedy's Public Visitor Program. As a result, NASA may be redirecting about \$5 million in nonappropriated funds from Kennedy's Public Visitor Program to reimburse the Visitor's Complex Concessioner for construction costs and cost overruns.

## **Guidance on Constructing Facilities**

Section 203 of the National Aeronautics and Space Act of 1958 (Space Act), as amended, 1991, states that NASA is authorized to use concessioners to fund construction, maintenance, and operation in all manners of facilities and equipment for visitors to NASA installations and in connection therewith, to provide services incidental to the dissemination of information concerning

the Agency's activities. The Space Act also states that NASA shall provide for the widest practicable and appropriate dissemination of information concerning its activities and the results thereof. NASA Public Affairs Officials informed us that they interpreted this portion of the Space Act to include NASA's support of print and news media organizations in disseminating this information.

NASA Procedures and Guidelines (NPG) 8820.2C, "Facility Project Implementation Handbook," dated April 28, 1999, provides detailed guidance on all aspects of a facility project from the initial statement of the facility requirements to facility activation. NPG 8820.2C, Chapter 2, "Requirements," states that requirements definition is the most important activity in the development of a facility project. Clearly defined and documented requirements are necessary to develop a realistic scope and budget estimate for the project. Requirements definition is a progressive process that (1) begins with a determination that a mission, operation, or research and development task has facility implications and that (2) leads to a comprehensive description of the required facility project. The major activities in the requirements definition process include:

- Preparation of a Functional Requirements Statement by the project advocate establishing the necessity and general nature of a facility project.
- Preparation, review, and approval of a Requirements Document to fully define the functional characteristics of the desired facility. The Requirements Document is the primary input to the Preliminary Engineering Report, which is a key instrument for decision making.
- Preparation of the Preliminary Engineering Report. The Preliminary Engineering Report defines the scope and estimated cost of the needed facility. The Preliminary Engineering Report also evaluates the facility options, identifies the preferred options, and provides the effective link between the facility criteria and the final facility design.

NPG 8820.2C states that even when facility work at a field installation is financed by a nonappropriated fund activity, the project must be processed in accordance with the delegation of project approval authority contained in NASA Policy Directive (NPD) 7330.1F, "Approval Authorities for Facility Projects," dated October 19, 1999. The NPD states that the NASA Headquarters Director of Facilities Engineering is responsible for approving all facility projects funded from other than NASA appropriations.

### **Concessioner Agreement**

In accordance with the NASA Concessioner Agreement (NAS10-12215), Delaware North is responsible for providing program support to accomplish the Public Visitor Program mission to tell the NASA story. A fundamental objective of this responsibility is to explain how NASA's aerospace programs and technology benefit people in their everyday lives. The concessioner shall be responsible for telling the NASA story by conveying thorough, accurate, and current information

to the visiting public. As part of the agreement and in support of the Public Visitor Program, Delaware North conducts guided tours of Kennedy and the Cape Canaveral Air Station to provide an overview of the Center's operations and historical significance. The agreement also contains a provision that the Government may request or direct the concessioner to provide new activities, as the Government may consider desirable, for the accommodation and convenience of the public. Facilities shall be designed and developed to communicate the NASA story to the visiting public and to contribute to creating a positive visitor experience.

### **Requirements Document**

Kennedy has not prepared appropriate requirements documentation for the proposed media center at Kennedy. NPG 8820.2C requires the preparation of a requirements document as the primary input for the Preliminary Engineering Report. The NPG also requires the preparation of a Functional Requirements Statement to establish the need for the project. In place of a requirements document, Kennedy contracted with an architect/engineering firm to provide a Preliminary Engineering Report (dated November 10, 1999). The report states that its purpose is to delineate the requirements for the NASA Press Site Upgrade at Kennedy. The requirements include providing the media center building, moving the existing news media trailers to a temporary site, and removing the trailers once the media center is opened for occupancy. The Preliminary Engineering Report establishes a three-story, approximately 17,200 square foot building, with an estimated construction cost of about \$3 million.

For the media center, NASA obtained the Preliminary Engineering Report without first defining an Agency requirement for the center. Without a valid requirements document, the Agency has no means of determining whether construction of a media center at Kennedy is a valid and justified NASA requirement. Information obtained during the audit shows that the media center is clearly a NASA requirement, and as such, should be supported by the Functional Requirements Statement and the Requirements Document. Neither of these required documents have been prepared for this project. Kennedy should complete the documentation as required by NPG 8820.2C even if the Agency uses nonappropriated funds for construction. Further, regardless of how the proposed facility is financed (appropriated or nonappropriated funds), the project must be reviewed and approved by the NASA Headquarters Director of Facilities Engineering in accordance with NPD 7330.1F.

### **Proposed Project Financing**

The current proposed method of financing the media center is questionable. Documentation obtained during the audit shows that because of the decision not to renew the media organizations' land leases, the Kennedy Center Director requested the Visitor Complex Concessioner, Delaware North, to consider the creation of a combined media center/tour stop. The media center would be located at the current Kennedy press site to facilitate and further the telling of the NASA story. Proposed funding for this project is entirely contingent on the assumption that the media center facility will be primarily a tour stop and, therefore, can be funded through concessioner agreement

funds or concessioner corporate capital. The current concessioner agreement allows wide latitude in development and funding of projects as long as they are in accordance with the mission and objectives of the Public Visitor Program.

In our opinion, construction of a media center is beyond the scope of the concessioner agreement between Kennedy and Delaware North and would not be in accordance with the mission and objectives of the Public Visitor Program. Although the concessioner agreement contains a broad definition of the Public Visitor Program, the Space Act limits concessioner activities to those involving visitors to the installations. Specifically, although the Space Act allows NASA to use concessioners to fund construction of facilities, such facilities must be for visitors to NASA installations and "in connection therewith, to provide services incidental to the dissemination of information concerning the Agency's activities." The primary purpose of the media center, as currently planned, is to provide permanent space for the news media organizations currently housed in trailers at the Kennedy press site. Calling the proposed media center a tour stop does not make it a visitors' facility and thus eligible to be funded by Delaware North as part of the Public Visitor Program.

Kennedy officials involved with the project stated that the only way to have the media center funded through the concessioner agreement with Delaware North was to classify the facility as a tour stop and part of the Public Visitor Program. For example, in a message dated November 19, 1999, to the Kennedy Center Director, the Kennedy Director of Procurement stated:

If the media center is constructed with nonappropriated funds, the predominant purpose of the facility must be the enhancement of the Public Visitor Program. The facility could meet this requirement if it was a regular Kennedy tour stop (operated and maintained by Delaware North), and housed a museum of significant press artifacts associated with the space program.

In another message dated November 24, 1999, to the Kennedy Center Director, the Kennedy Deputy Chief Financial Officer (CFO) for Finance stated that the key point is the purpose of the building. The Deputy CFO for Finance stated:

If the purpose of the building is a tour stop to enhance the visitor's appreciation of the activities of NASA, then nonappropriated funds from Delaware North should be used. If on the other hand, the building is a media center, then appropriated funds would be required to be used . . . We need to fully document the need for this particular tour stop, and the rationale for any concession enhancement provided to Delaware North, since many other parties will be reviewing the propriety of all actions taken by NASA in this transaction.

These messages clearly convey that the predominant use of the proposed media center facility must be to enhance the Public Visitor Program. However, the limited NASA documentation prepared to date does not support that the media center's primary purpose will be to support the Public Visitor Program mission. For example, the Preliminary Engineering Report indicates space allocations in the

facility only for the media organizations that will become tenants. The report does not include any tour facilities or accommodations and gives no indication that the building is intended for any purpose other than office space for the news media. Kennedy should sufficiently document that the predominant use of the proposed media center will be to enhance the Kennedy Public Visitor Program before proceeding with using nonappropriated funds for construction.

### **Effect on the Public Visitor Program**

Delaware North's financing of the media center's construction could also impact Kennedy's Public Visitor Program by up to \$5 million. Specifically, NASA will redirect approximately \$4 million over 10 years from the Public Visitor Program's Service Improvement Account<sup>6</sup> to the agreement's award fee pool in order to reimburse Delaware North for about \$3 million in anticipated up-front construction costs. In addition, up to \$1 million in construction overrun costs, if any, would be funded from Kennedy Visitor Complex improvement funds.<sup>7</sup> Kennedy management informed us that the construction funding of \$3 million necessary to build the media center will initially be provided from Delaware North's working capital. Delaware North will also receive revenue in the form of fair market value lease payments made by the media center's tenants once the facility is constructed and operational.

In return for the up-front construction funding of \$3 million, Delaware North will be reimbursed about \$4 million over 10 years through an increase in the award fee pool of the existing concessioner agreement. The agreement currently specifies that Delaware North pays the first \$50,000 of residual revenue (income) to the U.S. Treasury. Then, the first \$1 million (after the \$50,000) of income is divided on a 90/10 percent basis with 90 percent for the award fee pool and 10 percent for the Service Improvement Account. The remaining income is currently divided on a 50/50 percent basis between the award fee pool and the Service Improvement Account. In return for funding construction of the media center, Kennedy has proposed that over a 10-year period, the second \$1 million in income (after the first \$50,000 and \$1 million) also be divided on a 90/10 percent basis (90 percent for the award fee pool and 10 percent for the Service Improvement Account) similar to the first \$1 million. Changing the allocation of residual income in this way would result in an additional \$400,000 made available that would have previously funded the Service Improvement Account. Over a 10-year period, this increase to the award fee pool would amount to about \$4 million redirected from the Service Improvement Account. The \$4 million and the additional \$1 million for funding overrun costs results in a redirection of up to \$5 million from the various Public

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<sup>6</sup> The Service Improvement Account provides for the acquisition of new or expanded capabilities in support of the Public Visitor Program and the general improvement of the Kennedy Visitor Complex. The primary source of funds in the account is derived from residual revenue (income), which is the portion of revenue remaining after all Public Visitor Program expenses and obligations have been satisfied.

<sup>7</sup> Delaware North's concessioner agreement with Kennedy provides for the establishment of a Service Improvement Account, Capital Improvement Account, and Theatre Improvement Account. These accounts are to be used for the acquisition of Government property, or provision of related services, to improve, develop, and expand the Kennedy Visitor Complex and the Public Visitor Program. The accounts are funded by residual revenue and admission surcharges.

Visitor Program accounts. NASA management has not adequately considered whether this redirection

will affect the overall quality of the Kennedy visitor experience, and management has not determined which proposed new exhibits would be eliminated or postponed due to the unavailability of funds.

### **NASA Management Actions**

In a January 2000 prenegotiation document, Kennedy has taken the position that when a negotiated agreement is reached between NASA and Delaware North on the media center, the project will be put on hold until NASA management approval to proceed is issued or the issues identified by this audit are resolved. Management's position along with implementation of this report's recommendations should ensure that the media center project is (1) appropriately justified as being predominately for the enhancement of the Public Visitor Program, (2) approved in accordance with applicable Agency guidance for construction of facilities, and (3) properly financed.

### **Recommendations, Management's Response, and Evaluation of Response**

**The Director, John F. Kennedy Space Center, should:**

**1. Develop a Functional Requirements Statement and Requirements Document for the proposed media center project in accordance with the requirements of NPG 8820.2C.**

**Management's Response.** Concur. Management is developing a Functional Requirements Statement and a Requirements Document in compliance with NPG 8820.2C. The complete text of management's response is in Appendix B.

**Evaluation of Management's Response.** Management's planned actions are responsive to the recommendation. The recommendation is resolved, but will remain undispositioned and open for reporting purposes until corrective actions are completed.

**2. Submit the media center project along with the proposed method of financing to the NASA Headquarters Director of Facilities Engineering for review and approval in accordance with the requirements of NPD 7330.1F.**

**Management's Response.** Concur. Management will prepare and submit a NASA Form 1509 to the NASA Headquarters Director of Facilities Engineering for review and approval in accordance with the requirements in NPD 7330.1F (see Appendix B).

**Evaluation of Management's Response.** Management's planned actions are responsive to the recommendation. The recommendation is resolved, but will remain undispositioned and open for reporting purposes until corrective actions are completed.

**3. Document the justification for the predominant use of the proposed media center before making a determination concerning use of nonappropriated funds for construction.**

**Management's Response.** Concur. The Contracting Officer will ensure that all the requirements of law, the Space Act, and the Concession Agreement have been met before proceeding with the project. The Contracting officer will also ensure that all applicable procedures have been followed, and the basis for using nonappropriated funds for construction is documented (see Appendix B).

**Evaluation of Management's Response.** Management's planned actions are responsive to the recommendation. The recommendation is resolved, but will remain undispositioned and open for reporting purposes until corrective actions are completed.



## **Appendix A. Objectives, Scope, and Methodology**

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### **Objectives**

The overall objective of the audit was to evaluate the propriety of Kennedy's proposed plan to construct a media center at the Center's current press site. The specific objective was to determine whether the use of nonappropriated funds provided by the Kennedy Visitor Complex Concessioner for constructing the media center is appropriate and to analyze concessions granted by NASA in exchange for the use of those funds.

### **Scope and Methodology**

To accomplish our objectives, we obtained an overall understanding of Kennedy's plans for a new media center and the proposed actions to accomplish those plans. In addition, we reviewed applicable policies and procedures related to constructing facilities on NASA property. We also reviewed the Kennedy Visitor Complex's Concessioner agreement with Delaware North to determine whether it contains provisions for constructing facilities. We did not rely on any automated data or information provided by NASA to complete our audit objectives. During the audit, we:

- Obtained and reviewed the NASA Preliminary Engineering Report for the proposed media center.
- Interviewed:
  - Personnel in the NASA Headquarters Facilities Engineering Division.
  - The President and Chief Operating Officer of Delaware North.
  - Kennedy's Chief of Operations Support and the Contracting Officer for the Delaware North Concessioner agreement.
  - The Kennedy Director of Procurement.
  - The Acting Director of Kennedy's Public Affairs Office.
  - The Kennedy Deputy Chief Counsel.
  - The Associate Director and staff of Kennedy's Facilities Operations Engineering Division.
  - The Kennedy Chief Financial Officer.
- Obtained data from the Kennedy Information Officer who is responsible for coordinating logistics for the current press site.

## **Appendix A**

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### **Management Controls Reviewed**

We reviewed the following management controls as part of the audit.

- NASA Kennedy Concessioner Agreement (NAS10-12215) with Delaware North Parks Services of Spaceport, Inc.
- NPD 7330.1F, "Approval Authority for Facility Projects," October 19, 1999.
- NPG 8820.2C, "Facility Project Implementation Handbook," April 28, 1999.
- National Aeronautics and Space Act of 1958, as amended.

Sufficient management controls are in place governing the construction of facilities using appropriated funds. However, management controls with regard to using nonappropriated funds from a concessioner to construct a facility on NASA property can be improved through management's implementation of the report's recommendations.

### **Audit Field Work**

We conducted field work from February through June 2000 at NASA Headquarters and Kennedy. We performed the audit in accordance with generally accepted government auditing standards.

## Appendix B. Management's Response

National Aeronautics and  
Space Administration  
**John F. Kennedy Space Center**  
Kennedy Space Center, FL 32899



Reply to Attn of QA-D

SEP 01 2000

TO: NASA Headquarters  
Attn: W/Assistant Inspector General for Auditing

FROM: AA/Director

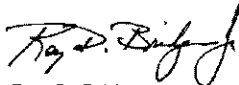
SUBJECT: Draft Report on the Audit of Kennedy Space Center Proposed Media Center,  
Assignment Number A0003300

Regarding your letter dated July 25, 2000, subject as above, Kennedy Space Center (KSC) has considered the recommendations made in the draft report.

Our specific responses to the three recommendations are included as Enclosure 1 to this letter.

KSC is in overall agreement with the recommendations contained in the report. We had the opportunity to discuss this report with Mr. Kevin Carson, Program Director, Safety and Technology Audits, in early July. A copy of a letter to Mr. Carson following that audit debrief session is included as Enclosure 2 to this letter. As that letter states, we are still in the very early stages of this proposed project. We are still in a study phase of determining the functional requirements of the proposed facility. Once defined, these requirements would lead to a business plan for the operation of the facility. This process is outlined in the prenegotiation document dated January 2000. A copy of this procurement-sensitive document has been furnished to Mr. Carson.

We appreciate having had the opportunity to review the report and discuss it with Mr. Carson prior to the official release of the draft report.

  
Roy D. Bridges, Jr.

- 2 Enclosures:
1. Specific Responses to Recommendations
  2. Letter from KSC/OP to Kevin Carson

cc:  
HQ/M/Mr. Rothenberg

## Appendix B

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cc:  
CC/D. Hendriksen  
GG/N. Carroll  
GG-C-C/J. Robertson  
OP/J. Hattaway, Jr.  
OP-AM/C. Wilcox  
OP-ES-V/L. Rochester  
QA-D/R. Tilley  
QA-D/J. Nary  
TA/C. Fairey  
TA-A/G. Perry  
XA/J. Gordon  
XA/S. Roberts  
HQ/M/J. Rothenberg  
HQ/MX/G. Gabourel

**RECOMMENDATION 1**

The Director, Kennedy Space Center, should develop a Functional Requirements Statement and Requirements Document for the proposed media center project in accordance with the requirements of NPG 8820.2C.

**KSC RESPONSE**

Concur. KSC is aware of the requirements of NPG 8820.2C, its applicability to both appropriated and nonappropriated fund activities, and we plan to comply with them. We are still in the process of developing the Functional Requirements Statement and the Requirements Document. No estimated completion date has been established. The organizations responsible for implementing this recommendation are XA/External Relations and Business Development and TA/Spaceport Services. TA/Spaceport Services will serve as lead for this effort.

**RECOMMENDATION 2**

The Director, Kennedy Space Center, should submit the media center project along with the proposed method of financing to the NASA Headquarters Director of Facilities Engineering for review and approval in accordance with the requirements of NPD 7330.1F.

**KSC RESPONSE**

Concur. Consistent with requirements set forth in NPD 7330.1F, upon completion of the Functional Requirements Statement and the Requirements Document, the NASA Form 1509 will be prepared and submitted to NASA Headquarters Director of Facilities Engineering for review and approval. The project will not proceed until KSC and Headquarters are satisfied with the approach to be used. The organization responsible for implementing this recommendation is TA/Spaceport Services Directorate.

**RECOMMENDATION 3**

The Director, John F. Kennedy Space Center, should document the justification for the predominant use of the proposed media center before making a determination concerning use of nonappropriated funds for construction.

**KSC RESPONSE**

Concur. In determining whether to proceed with this project, the Contracting Officer (CO) will ensure that all the requirements of law, the Space Act, and the Concession Agreement have been met. We understand the authority in the Space Act requires that such a facility be a viable tour stop and support telling the NASA story before NASA can direct, agree to, or permit the expenditure of non-appropriated, visitor concession funds for the facility's construction. The CO will also ensure that all applicable procedures have been followed and the basis for the decision documented. The organizations responsible for implementing this recommendation are XA/External Relations and Business Development, OP/Procurement Office, GG/Chief Financial Officer, and CC/Chief Counsel. The Contracting Officer will serve as lead for this effort.

**Enclosure 1**

## Appendix B

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OP

2000 14 000

NASA Office of Inspector General  
Attn: Mr. Kevin Carson  
Supervisory Auditor  
GSFC, Code 190  
Greenbelt, MD 20771

Subject: Discussion Copy of Audit Report No. A0003300, Kennedy Space Center (KSC)  
Proposed Media Center Building

Thank you for the opportunity to review a copy of the subject audit report in advance of its publication. For accuracy, I recommend the following three corrections be made to the report language.

In the title of the report, you refer to the facility as the Media Center Building. The facility is actually referred to as the Media Center Tour Stop (MCTS), as is used in the Kennedy Space Center Prenegotiation Document dated January 24, 2000, of which you have a copy.

In the first paragraph of the introduction, last sentence, you state "The Kennedy Visitor Complex Concessioner will finance the up-front construction costs..." This should be revised to read, "The Kennedy Visitor Complex Concessioner is considering financing the up-front construction costs..." We are not yet at the point of determining how the MCTS construction costs will be financed.

On page 5, between the two indented paragraphs, please revise the Deputy Chief Financial Officer's title to Deputy Chief Financial Officer for Finance. There is more than one deputy.

I agree with the overall recommendations of the report. The recommendations describe the path, which I plan to proceed. This project has essentially been on hold since November 1999. It may have appeared that we were proceeding much more quickly, as evidenced by the document mistakenly titled the Preliminary Engineering Report, that you reviewed. I will more fully discuss this mistake later. In actuality all that has been accomplished is to establish a framework for how the Concession Agreement would be modified should we decide to proceed with the MCTS, and should it be financed with Concessioner Capital. This framework was being established at the same time as the other issues that were outlined in the Prenegotiation Document were being defined, not to try to rush the Media Center Tour Stop Project.

KSC is aware of the requirements of NPG 8820.2C, its applicability to both appropriated and nonappropriated fund activities and we will comply with them. We are still in the process of developing the Functional Requirements Statement and the Requirements Document. We acknowledge that we erred in labeling the document, which you reviewed as Preliminary Engineering Report (PER). A PER Statement of Work template is often used for this type requirement because a study's content can vary anywhere from a small portion of what is

Enclosure 2

required in a PER, to all the information required in a PER. Our document was merely a portion of the concept, and did not include details or identify requirements for the remainder of the facility e.g., (exhibits, tour stops, VIP viewing). This document is actually a piece of the Functional Requirements Statement and the Requirements Document, leading to a complete PER.

The Contracting Officer will take your opinion, as to the MCTS being beyond the scope of the Concession Agreement, into consideration, along with the advice of our Chief Counsel's Office and the Deputy Chief Financial Officer for Finance. We recognize the facility must be a viable tour stop and support the telling of the NASA story. In determining whether to proceed with this project, the CO will ensure that all the provisions of the law, the Space Act, and the Concession Agreement have been complied with. The CO will also ensure that all applicable procedures have been followed.

KSC recognizes our responsibility for selecting and prioritizing projects for the Public Visitor Program. The CO will ensure that the procedures established in the Concession Agreement for this purpose will be adhered to.

I would like to extend our appreciation for your review of this project in its earliest stages, and informing us of the concerns you have. Having the project done properly is our objective.

ORIGINAL-SIGNED BY:  
JAMES E. HATTAWAY, JR.

James E. Hattaway, Jr.  
Director, Procurement Office

bcc:  
AA-A/J. Jennings  
AA-B/M. Jones  
CC/D. Hendriksen  
GG-B/S. Lenck  
OP/Official file  
OP/Read file  
OP-ES/L. Rochester  
TA/M. Sumner  
TA-D/M. Morales

OP:Lrochester:l:7/13/00:file # MCTSAuditresponse.doc

Concurrences were obtained by e-mail from AA-A, AA-B, CC, GG-B, TA and TA-D.

## Appendix C. Report Distribution

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### National Aeronautics and Space Administration (NASA) Headquarters

A/Administrator  
AE/Chief Engineer  
AI/Associate Deputy Administrator  
B/Chief Financial Officer  
B/Comptroller  
BF/Director, Financial Management Division  
G/General Counsel  
H/Associate Administrator for Procurement  
I/Associate Administrator for External Relations  
J/Associate Administrator for Management Systems  
JM/Acting Director, Management Assessment Division  
JS/Director Security Management Office  
L/Associate Administrator for Legislative Affairs  
M/Associate Administrator for Space Flight  
P/Associate Administrator for Public Affairs  
R/Associate Administrator for Aerospace Technology  
S/Associate Administrator for Space Science  
U/Associate Administrator for Life and Microgravity Sciences and Applications  
Y/Associate Administrator for Earth Science  
Z/Associate Administrator for Policy and Plans

### NASA Centers

Director, Ames Research Center  
Director, Dryden Flight Research Center  
Director, John H. Glenn Research Center at Lewis Field  
Director, Goddard Space Flight Center  
Director, Jet Propulsion Laboratory  
Director, Lyndon B. Johnson Space Center  
Director, John F. Kennedy Space Center  
Director, Langley Research Center  
Director, George C. Marshall Space Flight Center  
Director, John C. Stennis Space Center  
Chief Counsel, John F. Kennedy Space Center



**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  
Branch Chief, Science and Space Programs Branch, Energy and Science Division,  
Office of Management and Budget  
Associate Director, National Security and International Affairs Division, Defense Acquisition  
Issues, General Accounting Office  
Professional Assistant, Senate Subcommittee on Science, Technology, and Space

**Chairman and Ranking Minority Member - Congressional Committees and Subcommittees**

Senate Committee on Appropriations  
Senate Subcommittee on VA, HUD, and 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, and Independent Agencies  
House Committee on Government Reform  
House Subcommittee on Government Management, Information, and Technology  
House Subcommittee on Space and Aeronautics

**Congressional Member**

Honorable Pete Sessions, U.S. House of Representatives

## NASA Assistant Inspector General for Auditing Reader Survey

The NASA Office of Inspector General has a continuing interest in improving the usefulness of our reports. We wish to make our reports responsive to our customers' interests, consistent with our statutory responsibility. Could you help us by completing our reader survey? For your convenience, the questionnaire can be completed electronically through our homepage at <http://www.hq.nasa.gov/office/oig/hq/audits.html> or can be mailed to the Assistant Inspector General for Auditing; NASA Headquarters, Code W, Washington, DC 20546-0001.

**Report Title: Kennedy Space Center Proposed Media Center**

**Report Number:** \_\_\_\_\_ **Report Date:** \_\_\_\_\_

*Circle the appropriate rating for the following statements.*

	Strongly Agree	Agree	Neutra l	Disagre e	Strongl y Disagre e	N/A
1. The report was clear, readable, and logically organized.	5	4	3	2	1	N/A
2. The report was concise and to the point.	5	4	3	2	1	N/A
3. We effectively communicated the audit objectives, scope, and methodology.	5	4	3	2	1	N/A
4. The report contained sufficient information to support the finding(s) in a balanced and objective manner.	5	4	3	2	1	N/A

*Overall, how would you rate the report?*

Excellent	Fair
Very Good	Poor
Good	

*If you have any additional comments or wish to elaborate on any of the above responses, please write them here. Use additional paper if necessary.* \_\_\_\_\_

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

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

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**How would you identify yourself? (Select one)**

- |                     |  |
|---------------------|--|
| Congressional Staff | Media                                    |
| NASA Employee       | Public Interest                          |
| Private Citizen     | Other: _____                             |
| Government: _____   | Federal: _____ State: _____ Local: _____ |

**May we contact you about your comments?**

**Yes:** \_\_\_\_\_ **No:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Telephone:** \_\_\_\_\_

Thank you for your cooperation in completing this survey.

## **Major Contributors to this Report**

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Diane R. Choma, Auditor-in-Charge

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