

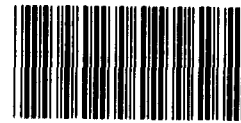
GAO

Report to the Chairman, Subcommittee
on Public Buildings and Grounds,
Committee on Public Works and
Transportation, House of
Representatives

February 1993

KENNEDY CENTER

Information on the
Capital Improvement
Program



148480

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General Government Division

B-251458

February 9, 1993

The Honorable Norman Y. Mineta
Chairman, Subcommittee on Public
Buildings and Grounds
Committee on Public Works
and Transportation
House of Representatives

Dear Mr. Chairman:

This report responds to a request from former Chairman Gus Savage for information on the use of funds appropriated to the National Park Service (NPS), Department of Interior, in fiscal years 1991 and 1992 for capital improvements at the John F. Kennedy Center for the Performing Arts (Center). He also requested our opinion of the Center's capability to implement a major capital improvement program.

Results in Brief

In fiscal years 1991 and 1992 Congress appropriated to NPS a total of about \$44.1 million for operating and maintaining the nonperforming arts functions of the Center. In the congressional committee reports accompanying the appropriations, Congress recommended that about \$27.7 million be made available for Center capital repairs and alterations. The \$27.7 million included about \$15.7 million for mechanical, structural, and handicapped access projects and about \$12.0 million for garage repairs.

The \$27.7 million recommended in the congressional reports was reduced by about \$300,000 to about \$27.4 million, pursuant to appropriation adjustments in the fiscal years 1991 and 1992 appropriation acts. Of the \$300,000 reduction, about \$200,000 was deducted from the mechanical, structural, and handicapped access projects, leaving about \$15.5 million; and about \$100,000 was deducted from the garage repair project, leaving about \$11.9 million. As of October 1992, these funds were used as follows.

- Of the \$15.5 million available for mechanical, structural, and handicapped access projects, \$2.8 million had been obligated for design work, \$9.7 million was reprogrammed to the garage repair contract, and about \$3.0 million remained unobligated. The \$3.0 million was reserved for future accessibility modification and mechanical and electrical improvement contracts.

- In total, \$21.6 million was available for the garage project, the \$11.9 million recommended plus the \$9.7 reprogrammed from the mechanical, structural, and handicapped access projects. Of these funds about \$1.5 million has been obligated, primarily for design work. The remaining \$20.1 million was reserved for the award of the construction/repair contract. That contract was awarded on November 30, 1992, and construction is scheduled to begin during January 1993.

At present the Center has limited staff capability that can be devoted to the management of a major capital program. Its building staff consists of a building/project director and maintenance staff. It has at present no in-house federal contracting officer, architects, engineers, or other professional occupations that would be associated with capital projects. As a result, it has contracted for these services when necessary.

On the basis of our analysis of the Center's staffing resources, their experience with prior Center capital projects, and discussions with Center officials, we do not believe that the Center presently has sufficient capability to effectively manage a capital improvement effort of the scope now being contemplated. However, given sufficient time and funding, the Center should be able to acquire this capability.

Background

The John F. Kennedy Center for the Performing Arts is a bureau of the Smithsonian Institution. In 1958 it was originally named the National Cultural Center. However, in 1964 it was renamed and designated as the living memorial and sole monument in the Washington, D.C., area to the late President John F. Kennedy. Construction of the Center began in 1964 and was completed in 1971 at a cost of approximately \$78 million. Responsibility for administration of the Center's performing arts functions is vested in a Board of Trustees.

In Public Law 92-313, dated June 16, 1972, Congress authorized appropriations to the Center's Board of Trustees for operation and maintenance expenses for 1 year. In subsequent years, such monies were provided to the Secretary of the Interior, acting through NPS. Public Law 92-313 also required that the Secretary of the Interior provide certain services not related to performing arts functions, principally operation and maintenance and including janitorial services, security, and health and safety.

For operational purposes, NPS and the Center entered into a cooperative agreement under which each party was obligated to pay a percentage of the operating and maintenance cost based upon the hours that the building was expected to be used for performing arts functions. The agreement did not specify who was responsible for long-term capital projects. This oversight contributed to the current deteriorated condition of the structure. Public Law 101-449, dated October 22, 1990, required that NPS and the Center negotiate a new cooperative agreement that would include a provision for capital projects. However, as of December 1992, no new agreement had been negotiated.

In May 1990 testimony before the Subcommittee on Public Buildings and Grounds, House Committee on Public Works and Transportation, the Chairman of the Board of Trustees said that \$30.5 million in capital appropriations were necessary for immediate repairs to the structure, garage, and mechanical systems of the Center. The Acting Regional Director, NPS, confirmed the Chairman's statement that the facility was in need of extensive repair. Both officials agreed that the Center had reached its current deteriorated physical condition as a result of a lack of clear mandate for either the Board of Trustees or NPS to undertake capital projects.

Objective, Scope, and Methodology

To obtain information on the capital improvement program at the Center we interviewed NPS and Center officials. To understand the extent of the physical problems of the Center we accompanied officials of both agencies on an inspection during which they pointed out the visible problems and discussed the problems associated with the aging mechanical/electrical systems.

To determine how the funds appropriated were used we interviewed NPS and Center officials responsible for the management of the Center and the design and construction work currently underway. We also reviewed records pertaining to existing and prior contracts.

To determine how the funds were obligated we asked NPS National Capital Region officials to query the NPS Denver Service Center for accounting system records. This office is responsible for the official contract records and the accounting for use of appropriated funds. NPS officials provided us accounting system based documentation that accounted for the obligation of the funds available.

To assess the Center's capability to manage its own capital improvement program, we discussed the Center's current capabilities with Center officials responsible for management of administration and facilities. We also discussed the Center's capabilities with NPS officials, both current and former, who served as the NPS site manager.

We did our work from August through October 1992 in accordance with generally accepted government auditing standards.

Appropriated Funds Used for Project Design or Construction or Held in Reserve for Future Work

Fiscal Years 1991 and 1992 Appropriation

In fiscal years 1991 and 1992 Congress appropriated a total of about \$44.1 million to NPS for the operation and maintenance of the nonperforming arts function of the Center (Public Laws 101-512 and 102-154). In the congressional committee reports accompanying the appropriations, Congress recommended that about \$27.7 million be made available for Center capital repairs and alterations as follows.

Fiscal Year 1991

\$12.0 million - for structural repairs to the garage.

\$1.5 million - for planning structural and mechanical repairs and handicapped access projects.

Fiscal Year 1992

\$14.2 million - for structural and mechanical repairs and improving handicapped access.

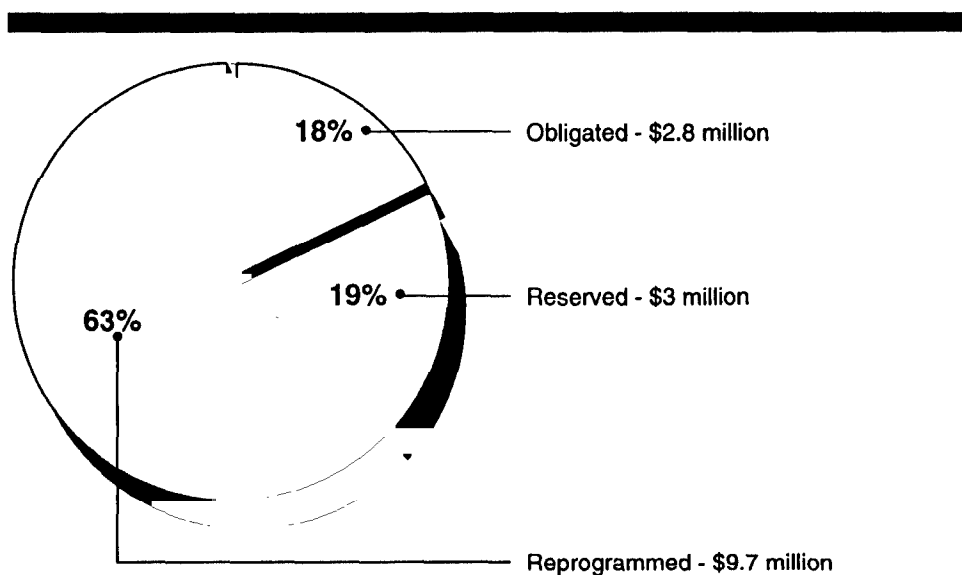
The \$27.7 million recommended in the congressional reports was reduced by about \$300,000 to about \$27.4 million, pursuant to appropriation adjustments in the fiscal years 1991 and 1992 appropriation acts. Of the \$300,000 reduction, about \$200,000 was deducted from the mechanical, structural, and handicapped access projects, leaving about \$15.5 million;

and about \$100,000 was deducted from the garage repair project, leaving about \$11.9 million.

Use of Funds

NPS designated the work at the Center as two distinct projects: (1) marble, mechanical, and handicapped accessibility and (2) repair parking garage. The information provided by NPS showed that funds were used for design and construction or, in the instances where construction was not immediately ready to proceed, the funds were reserved for future construction work. Figures 1 and 2 show how the funds allocated to both projects were used.

Figure 1: Allocation of Funds—Marble/Mechanical and Handicapped Accessibility Project



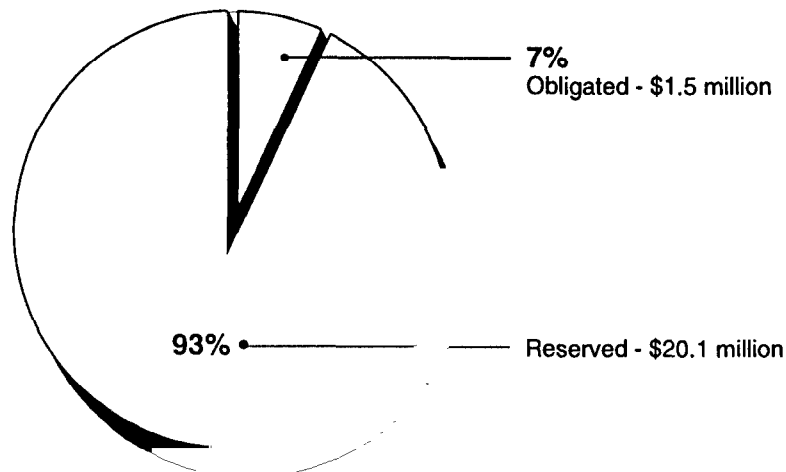
Note 1: Total available funds were \$15.5 million: \$1.5 million from fiscal year 1991 and \$14 million from fiscal year 1992.

Note 2: The obligated funds, about \$2.8 million, were used for project design activities.

Note 3: The funds reprogrammed, about \$9.7 million, were reprogrammed to the garage repair project.

Source: GAO analysis of NPS-supplied data.

Figure 2: Allocation of Funds—Parking Garage Repair Project



Note 1: A total of \$21.6 million was available: \$11.9 million from the fiscal year 1991 appropriation and \$9.7 million reprogrammed from the Mechanical/Marble and Handicapped Accessibility Project.

Note 2: The obligated funds, about \$1.5 million, were used for design activities.

Note 3: The funds held in reserve, about \$20.1 million, will be used primarily for the garage construction/repair contract. That contract was awarded on November 30, 1992, and construction is scheduled to begin during January 1993.

Source: GAO analysis of NPS-supplied data.

Center Has Insufficient Capability to Plan and Manage All Capital Projects

Since the completion of the Center building in 1971, neither NPS nor the Center has assumed responsibility for the planning and funding of long-term capital projects. Rather, Congress periodically authorized NPS to undertake one-time projects. Currently, NPS is managing the design and construction effort related to the capital improvement program. During fiscal year 1992 Congress considered, but did not enact, legislation providing the Center's Board of Trustees permanent authority for managing the Center's capital improvements.

During the next few years, several large capital projects will be undertaken at the Center. While detailed cost estimates for these projects have not yet been prepared, total costs of at least \$75 million above currently funded work are expected. The planning and management of these projects will require the expertise of various professions, such as architects, engineers, and contracting personnel and their associated staffs

supported by management control systems, such as work scheduling and cost accounting.

At present the Center has limited staff capability that can be devoted to the management of a major capital program. Its building staff consists of a building/project director and maintenance staff. It has no in-house federal contracting officer, architects, engineers, or other professional occupations that would be associated with capital projects. As a result, it has contracted for these services when necessary.

During recent years the Center has undertaken several capital projects using nonappropriated funds, the most recent the construction of a new gift shop. To complete these projects the Center has contracted for the necessary design and construction expertise while maintaining overall project management with in-house staff. Center officials told us that contracting out was necessary because they did not have the necessary personnel resources in-house. Further, they realize that to undertake a major capital program they would have to establish a permanent in-house capital improvement contract management staff and begin the development of long-range capital plans.

Center officials have held preliminary discussions, both internally and with officials from other agencies that manage their own capital programs, concerning the possible ways in which the necessary staff and management expertise could be obtained. While no plan has been formalized, Center officials believe that a small in-house staff of professionals, augmented by contracted personnel such as project managers on a project-by-project basis, would be the most likely approach. Center officials have not yet determined which of the options available to them they may pursue to obtain a capital management project team.

Conclusion

During the next few years, several large capital projects will be undertaken at the Center. During fiscal year 1992 Congress considered, but did not enact, legislation providing the Center with permanent authority for managing these projects. On the basis of our discussions with Center officials and our analysis of current staff resources and expertise with capital projects, we do not believe that the Center, at present, has sufficient capability to effectively manage such an undertaking. However, given sufficient time and funding, the Center should be able to acquire that capability.

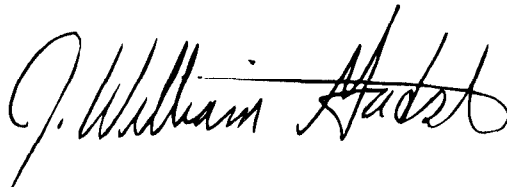
Agency Comments

We discussed the facts contained in this report with NPS and Center officials. They did not disagree with the information presented, and we have included their comments in the report where appropriate.

We are sending copies of this report to officials of the Kennedy Center and National Park Service. We will also provide copies to others upon request.

Major contributors to this report are listed in the appendix. Please contact me on (202) 275-8387 if you or your staff have any questions concerning this report.

Sincerely yours,

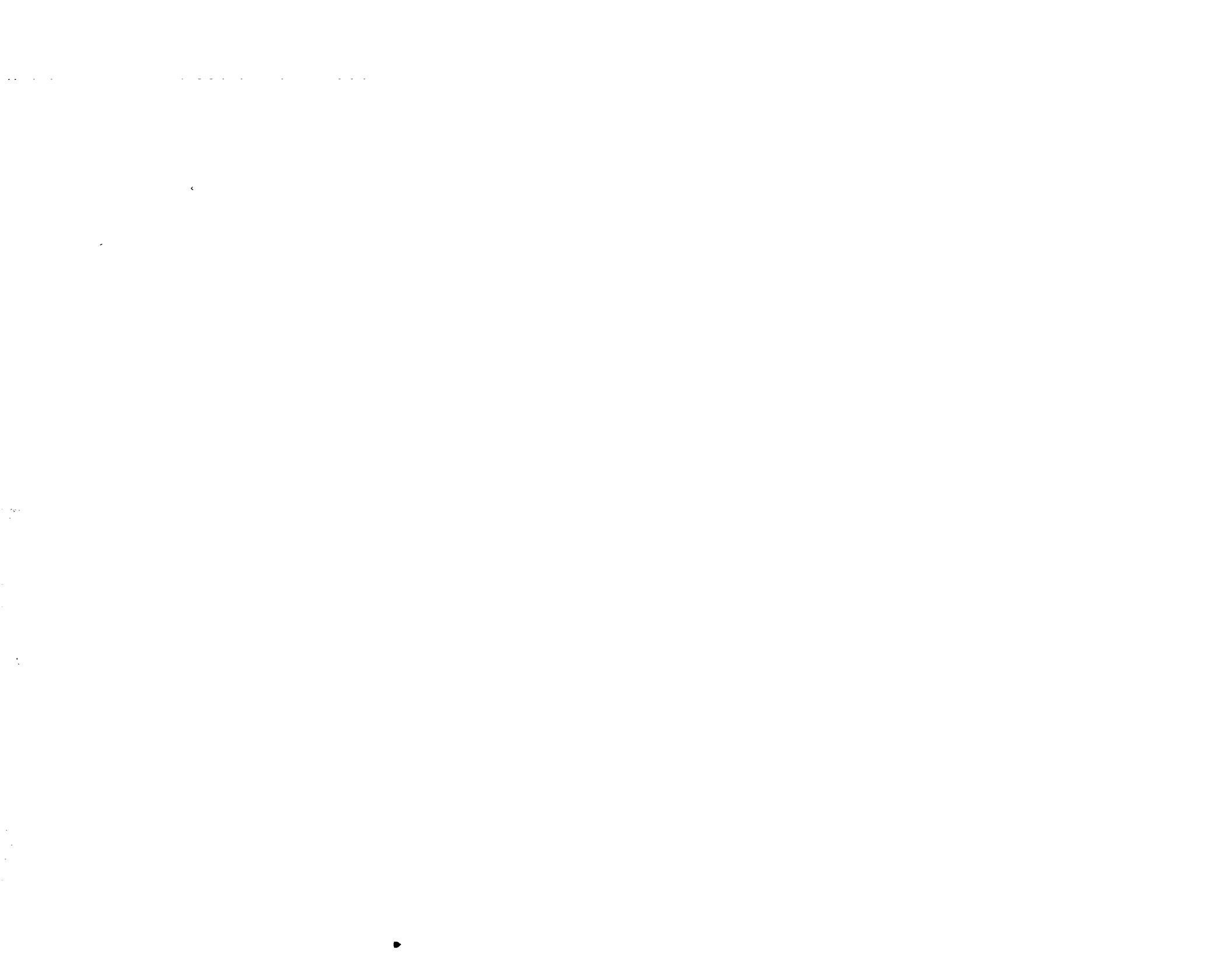


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