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# Examination Of Project Using Summer Interns For Programs Evaluation B-164031(1)

Department of Health, Education,  
and Welfare

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

**B-164031(1)**

**FILE COPY - COMP GEN**

AUG. 18, 1971

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-164031(1)

Dear Mr. Patman:

This is our report on the Department of Health, Education, and Welfare project using summer interns for programs evaluation. Our examination was made pursuant to your request of June 6, 1970.

In accordance with arrangements made with your office, we are sending copies of this report to Congresswoman Edith Green and Congressman Robert D. Price.

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

The Department of Health, Education, and Welfare and the contractor have not been given an opportunity to formally comment on this report.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "A. M. Kellen".

Acting Comptroller General  
of the United States

The Honorable Wright Patman  
House of Representatives

D I G E S T

WHY THE REVIEW WAS MADE

During the summer of 1970 the Department of Health, Education, and Welfare (HEW) funded a project using summer interns to evaluate 15 of its programs. The project, known as the Programs Evaluation by Summer Interns project, was conducted by a contractor--The BLK Group, Inc., a Washington, D.C., consulting firm--which employed 171 interns to evaluate programs in 14 locations. At the request of Congressman Wright Patman, the General Accounting Office (GAO) examined into the

- development of the project concept and the need for the project,
- selection of a contractor,
- legality of the contract, and
- background of the contractor and its personnel.

HEW and the contractor have not been given an opportunity to formally examine and comment on this report.

FINDINGS AND CONCLUSIONS

Purpose of project

The project was intended to test the feasibility of using summer interns to evaluate the effectiveness of 15 HEW programs. (See app. 11.) The interns were to include graduate and undergraduate students and non-student residents of the communities where the HEW programs were located. (See p. 5.)

Selection of a contractor

Eight firms submitted proposals for the conduct of the project. An HEW review panel screened the proposals, and as a result, HEW asked four firms to revise their technical proposals and to make any desired changes in their cost proposals.

The firms were not notified, however, as required by the Federal Procurement Regulations, that the revised proposals would be final. GAO believes that this irregularity is not sufficient cause to question the validity of the resulting contract award. (See p. 18.)

Of the four revised proposals, two were determined by the panel to be acceptable. The contract was awarded to The BLK Group because it had the lower cost proposal.

On April 10, 1970, a letter contract was awarded to The BLK Group at an estimated total cost of \$899,369. On June 23, 1970, a cost-plus-a-fixed-fee contract was awarded instead of the contemplated fixed-price contract. The type of contract was changed because the HEW Audit Agency questioned certain of the estimated costs.

The HEW General Counsel informed the contracting officer that there was nothing illegal about such a change. GAO believes that the contracting officer was justified, under the circumstances, in awarding the cost-plus-a-fixed-fee contract. (See p. 21.)

#### Funding of project costs

Amendments to the contract resulted in a total estimated cost of about \$1 million. Funds appropriated to evaluate each of the 15 programs were used to finance the project.

GAO believes that the legal authorities for expenditure of these funds provided a statutory basis for financing the project. (See p. 10.)

#### Evaluations of the project

##### BLK Group evaluation

The BLK Group report recommended that HEW regain some measure of delegated responsibility for its programs, rather than leave supervision, enforcement, and technical assistance largely to local and State agencies.

The report stated that using summer interns to evaluate programs was not only feasible but also potentially practical, economical, and valuable to HEW officials. (See p. 24.)

##### HEW evaluation

The HEW project staff found that the project, if refined and expanded, would provide program managers with up-to-date information on the operation of HEW programs.

Because the project had been closely monitored by HEW during the summer, the HEW staff did not recommend a separate evaluation of the 1971 project by a contractor. Such an evaluation was made of the 1970 project by Abt Associates, Inc. (See p. 24.)

##### Abt Associates evaluation

Abt Associates conducted its evaluation under a \$29,097 fixed-price contract.

The contract was awarded by HEW on a sole-source basis because the president of Abt Associates was familiar with the project. He had assisted HEW in preparing the request for proposals for the project and had also been a member of the proposal review panel.

GAO, however, believes that the president's prior involvement with the project did not necessarily qualify Abt Associates to evaluate the project. Other companies should have been solicited to compete with the Abt proposal. (See p. 25.)

The Abt Associates report stated that the project seemed to demonstrate that student interns were capable of carrying out field evaluations of programs. The report indicated that by making certain improvements in the project and by concentrating on fewer programs a more cost-effective means of evaluation might be achieved than would be possible by using alternative methods of evaluation. The report stated further that if the project were continued in 1971 at approximately the same level and by the same contractor as in 1970, it would result in a lack of useful evaluation data similar to the 1970 project. (See p. 26.)

#### Continuation of the project

On April 26, 1971, HEW entered into a contract with the Small Business Administration to conduct the 1971 project under a subcontract with The BLK Group. The cost-plus-a-fixed-fee subcontract with The BLK Group provided for using about 67 interns to evaluate nine HEW programs, at an estimated cost of \$502,900.

Small Business Administration officials informed GAO that this contracting arrangement was made pursuant to section 8(a) of the Small Business Act (15 U.S.C. 637) which authorizes the agency, in fulfilling contracts with other Federal agencies, to subcontract with small business firms not yet able to compete effectively in the marketplace.

The contract files showed that HEW informed the Small Business Administration in January 1971 that it would award the contract to the agency conditional upon The BLK Group qualifying for section 8(a) subcontracts and being approved for the subcontract. (See p. 28.)

The HEW program groups responsible for the operation of the 15 programs evaluated under the 1970 project had not completed their review of the BLK Group report at the time the 1971 contract was awarded to the Small Business Administration.

GAO believes that comments of the HEW groups should have been obtained and that the comments and The BLK Group report should have been fully evaluated before a contract to continue the project in 1971 was awarded. (See p. 28.)

BLK Group key personnel.

The BLK Group was incorporated on March 26, 1969. In May 1970 it had 25 employees, 10 of whom were assigned to the project. The persons employed by The BLK Group appeared to possess the education and experience necessary to perform the type of work required by the contract. (See pp. 9 and 30.)

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ABBREVIATIONS

BLK	The BLK Group, Inc.
GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
PEBSI	Programs Evaluation by Summer Interns
SBA	Small Business Administration



## D I G E S T

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## CHAPTER 1

### INTRODUCTION

Pursuant to a request dated June 6, 1970, from Congressman Wright Patman (see app. I), we reviewed certain aspects of the Programs Evaluation by Summer Interns (PEBSI) project sponsored by the Department of Health, Education, and Welfare. The office of the Deputy Assistant Secretary for Evaluation and Monitoring, HEW, was assigned administrative responsibility for the project, and The BLK Group, Inc., (BLK), a Washington, D.C., based consulting firm, conducted the project work under an HEW contract at an estimated cost of about \$991,000.

In accordance with arrangements made with Congressman Patman's office, we obtained information on the selection and background of the contractor and the activities to be carried out under the contract, and we examined into the legal basis for the award of the contract.

We examined the HEW records pertaining to the selection of the contractor and the operation and certain financial aspects of the project, and we met with HEW and BLK officials to obtain background data and certain other information about the project. We did not evaluate the contractor's performance under the contract.

The PEBSI project was designed to test the feasibility of using summer interns in the evaluation of the effectiveness of HEW programs. The interns were to include graduate and undergraduate students and nonstudent residents of the communities in which the HEW programs to be evaluated were located. HEW selected 15 programs to be evaluated and funded the PEBSI project from funds appropriated for the evaluation of these programs. (See app. II.)

In conducting the project the contractor hired 171 summer interns. The HEW programs evaluated by the interns were located in Albuquerque, New Mexico; Atlanta, Georgia; Boston, Massachusetts; Cleveland, Ohio; Los Angeles, California; New York, N.Y.; and Washington, D.C.; and in Maricopa County, Arizona; San Joaquin County, California; Cumberland County, New Jersey; Dade County, Florida; Berrien

County, Michigan; Hildago County, Texas; and Sandusky County, Ohio. Counties with heavy concentrations of migratory farm workers (migrants) were selected. HEW decided to operate the PEBSI project in some migrant areas because no evaluation had been conducted by the Federal Government on the effect of the HEW programs on migrants.

DEVELOPMENT AND LEGALITY OF PEBSI PROJECT

DEVELOPMENT OF PEBSI CONCEPT

The PEBSI project originated from a proposal submitted to the Under Secretary of HEW on September 16, 1969, by a summer employee on his staff. The employee's proposal indicated that student unrest in recent years had been caused, in part, by the students' belief that established channels for implementing change were not responsive to the ideas or participation of the young. Also the proposal pointed out that, although evaluations of programs conducted within an organization might be biased by past experiences of the evaluator, evaluations conducted by an outside organization could be hampered by a lack of familiarity with the organization. The proposal stated therefore that both approaches to evaluation appeared to have inherent weaknesses that detracted from the effectiveness of the end product.

The employee said that, by involving young people in an effectiveness evaluation of the HEW programs, HEW could serve the dual purposes of providing necessary evaluation by an outside group working inside the Department and of providing opportunities for youth to effectively participate in solving some very serious social problems confronting the Nation.

The summer employee proposed a project which would employ 25 interns at a total cost of about \$93,500 and concluded that the cost of such a project would be rather small compared with the benefits that might result.

In October 1969 a project officer was designated in the office of the Deputy Assistant Secretary for Evaluation and Monitoring to develop the employee's idea into a workable project. We were informed by the project officer that, while developing the project, he examined into the operations of 18 or 19 Government-funded intern projects to become aware of their strengths and weaknesses and that he contacted various people in HEW for their opinions and suggestions.

The Deputy Assistant Secretary stated that the examination showed that HEW program managers were not satisfied with the results of prior intern projects because the goals were not realistic and the project operations were not adequately monitored. He said that HEW had tried to structure the PEBSI project to provide for adequate management, technical support, and monitoring, to ensure that the project would be a success.

The project officer told us that he had decided that the project would need a group of interns with a variety of skills who could successfully relate to the communities in which they would be working. For this reason he decided that the group of interns should include graduate and undergraduate students and nonstudent residents of the communities involved.

The project officer told us also that, in designing the project, he had initially thought it should include an evaluation of only five or six programs and be conducted in several of the HEW regions, to preclude any accusation of regional bias in the final report.

The Deputy Assistant Secretary told us that HEW wanted to test the concept of using interns in the evaluation of as many different types of programs as possible. He also pointed out that the sensitivities of managers of programs selected for evaluation would naturally be aroused and that, unless several programs were reviewed, these managers would believe they were being singled out.

The project officer estimated that it would cost between \$500,000 and \$1,000,000 to conduct the proposed project. HEW decided to use a portion of the funds appropriated for the evaluation of 15 HEW programs and to evaluate the programs in several of the HEW regions. To conduct such a project, the project officer estimated that 100 to 150 interns would be needed. These decisions, however, were not based on any data obtained from a formal study.

With regard to the selection of sites at which the 15 programs would be evaluated, the Deputy Assistant Secretary told us that HEW had selected sites which would give the PEBSI project a broad geographical representation. In addition, he said that HEW had made an effort to select cities



involved in the Model Cities program of the Department of Housing and Urban Development because these were areas in which HEW programs were particularly abundant. The Model Cities program is an attempt to coordinate and concentrate Federal, State, and local resources in designated slum and blighted areas to substantially improve the living conditions and general welfare of the residents.

The project officer told us that originally the evaluations were to have been conducted in cities and in rural areas; but when it became evident that only large cities were operating all or most of the programs to be evaluated, the idea of evaluating programs in rural areas had been dropped. He said that HEW had decided to evaluate programs in areas with high concentrations of migrant workers.

The project officer decided that the project should employ 150 interns to evaluate the 15 HEW programs. Evaluations would be conducted in seven cities and in certain areas with high concentrations of migrants.

The Deputy Assistant Secretary informed us that, because the PEBSI project would be in operation for less than a year, it would have been difficult to build up an appropriate professional staff within HEW to conduct the project. Also the project officer told us that inadequate management of some of the previously conducted intern projects which he had reviewed had resulted from using regular staffs to direct the projects, in addition to their normal duties. For these reasons HEW officials decided to employ a contractor to conduct the PEBSI project.

HEW awarded a contract to BLK on April 10, 1970, at an estimated cost of \$899,369. Modifications made to the contract increased the estimated cost to \$991,065. BLK is a firm of management consultants in the field of human problems and principally specializes in the areas of transportation; social problems, such as juvenile delinquency, welfare health services, and day care; staff training; and legislative matters. The firm was incorporated on March 26, 1969, and in May 1970 it had 25 employees, 10 of whom were assigned to the PEBSI project. The final volume of the firm's report on the project results was submitted to HEW on January 8, 1971.

## LEGALITY OF PEBSI PROJECT

Material prepared by HEW and furnished to us by Congressman Patman included a schedule of the source of funds for the PEBSI project, which showed that \$950,000 would be needed to finance the project. Other material was furnished which made reference to the views of the National Education Association that the contract for the project was entered into without proper authority, without justifiable cause, and in violation of the intent of the Congress.

We have revised the funding schedule supplied to us by Congressman Patman, to include the funding for all contract modifications and to include the citations to the legal authority to expend these funds for program evaluations. (See app. II.) We examined each of the authorities cited and in our opinion they provide a statutory basis for program evaluations such as the PEBSI project.

An official of the National Education Association informed us that the statement that the contract for the project was entered into without proper authority was based on the wording of the Senate version of a bill which, in several sections, would have given authority to contract for the evaluation of elementary and secondary education programs to the Commissioner of Education, rather than to the Secretary of HEW. When enacted into law as Public Law 91-230, however, the evaluative authority was given to the Secretary.

### Conclusion

The legal authorities for expenditure of these funds provided a statutory basis for financing the project.

CONTRACTUAL ARRANGEMENTS FOR

CARRYING OUT PEBSI PROJECT

Under the contract awarded in April 1970, BLK was to conduct evaluations of 15 HEW programs, using 150 summer interns in the evaluative process. Evaluations were to be conducted in seven cities and seven counties across the Nation. BLK was to recruit the interns; familiarize them with the HEW programs; and train them in program evaluation processes, including observation techniques, data organization, report writing, and measurement of changes effected by the programs.

The interns were to conduct interviews with users, nonusers, and operators of the HEW programs; gather certain statistical data; make observations on program operations; organize the various types of information collected; and participate in an analysis of the effectiveness of the programs they had reviewed, basing their findings on data they had collected and observations they had made. Further data analysis was to be done in Washington BLK headquarters by experienced analysts.

The final report of BLK was to provide an evaluation of the 15 HEW programs reviewed and a self-assessment of the PEBSI project. Also as a part of the final report, a color film suitable for national television presentation was to be submitted, showing the operations and goals of some of the HEW programs which had been evaluated.

We reviewed HEW's selection of BLK to conduct the PEBSI project and the procedures used in awarding the contract. These topics are discussed in the following sections.

REQUEST FOR PROPOSALS FOR  
A CONTRACT FOR PEBSI PROJECT

On December 10, 1969, the office of the Assistant Secretary for Planning and Evaluation secured the services of Abt Associates, Inc., to prepare specifications to be included in a request for proposals for a contract to be

awarded for the design and implementation of the PEBSI project. Abt Associates is a Cambridge, Massachusetts, consulting firm specializing in economic and educational research. The firm has had contracts with the Departments of Labor, Transportation, and HEW; the Office of Economic Opportunity; the Government of Canada; and with various municipalities. The services of Abt Associates were obtained under a purchase order in the amount of \$2,495 for the period December 10 through December 31, 1969.

The Deputy Assistant Secretary for Evaluation and Monitoring told us that he had decided to hire Dr. Clark Abt, president of Abt Associates, to prepare the specifications to be included in the request for proposals because Dr. Abt had the technical expertise to prepare a request for proposals which would protect HEW's interest and because he was capable of estimating the cost of various tasks which were to be considered for inclusion in the request for proposals. The Deputy Assistant Secretary said that time was a factor and that, unlike HEW personnel who had other priorities, Dr. Abt could devote his full time to preparing the request for proposals. He said also that the fee of \$2,495 was agreed upon because time was of the essence and that purchases under \$2,500 were subject to the simplified small purchase procurement regulations (41 CFR 1-3.600) which permitted oral solicitation of bids.

On February 9, 1970, a request for proposals for a contract for the PEBSI project was announced in the Commerce Business Daily, a publication in which prospective Government contracts are advertised so that interested parties can obtain a copy of the request for proposals. To ensure an adequate response to the request for proposals, HEW sent announcements to 15 firms which had filed statements of their capabilities with HEW and which the project officer thought might be interested in submitting a proposal for the project. The request for proposals listed the following six objectives for the PEBSI project.

1. Evaluate the effectiveness of a range of HEW programs, using summer interns to conduct the evaluations.
2. Produce a self-assessment of the PEBSI project, including an evaluation of the effectiveness of the

interns as information gatherers and analysts and an assessment of the feasibility and effectiveness of a permanent and expanded summer intern project.

3. Educate and motivate the summer interns.
4. Contribute to public understanding and opinion of the HEW programs.
5. Produce a report representing the findings, conclusions, and recommendations resulting from the evaluations conducted by the interns.
6. Submit the interns' evaluations to the operators of the programs evaluated to see how they perceive evaluation accuracy, comprehensiveness, clarity, and feasibility; then send follow-up letters to interns to get their responses on the criticisms of their efforts. Examine the frequency of specific criticisms on both sides and assess the criticisms.

The request for proposals stated that (1) consideration would be given to technical proposals as well as to price in the award of the contract and (2) the Government reserved the right to make an award to other than the low offeror, to make multiple awards or to not make an award, and to make an award without further discussion of the proposals submitted. The request stated also that both the price and the technical proposals submitted should be the most favorable the offeror could propose to the Government. It stated further the weights that would be given to the principal areas (training, reporting, program management, field operations, etc.) of the proposals during HEW's evaluation of them.

After the requests for proposals were sent out, a conference was held with prospective contractors to allow them to ask questions on any part of the request for proposals which was not clear to them. According to the minutes of the conference, a prospective contractor asked whether HEW had definitely determined that a fixed-price contract would be awarded, as indicated in the request for proposals, or whether it was possible that a cost-reimbursable contract would be awarded. The HEW representative told him that HEW anticipated awarding a fixed-price

contract at that time but that HEW was not completely bound to do so.

In answer to a question from another prospective contractor whether the price of the contract would be negotiable, the HEW representative replied that the cost proposals would not be opened until the HEW technical evaluation was completed, at which time there might be an award without further discussion or there might be negotiation. In answer to another question, he said that HEW had certain preconceived ideas as to the cost of the project but that this information could not be revealed to the prospective contractors.

## SELECTION OF CONTRACTOR

Eight firms submitted proposals in response to HEW's request for proposals. To select the most qualified proposals, a review panel was formed by HEW to evaluate the eight proposals. The panel consisted of 13 evaluators: two from the HEW Office of Child Development; one from the Office of Education; one from the HEW Center for Community Planning; one from the office of the HEW Assistant Secretary for Planning and Evaluation; one from the Department of Labor; and seven outside consultants, including Dr. Abt who had prepared the specifications for the request for proposals. According to the project officer, the individuals selected to be members of the panel had either been on such a panel before or had been involved in the operation of programs similar to the PEBSI project.

The proposal review panel met during March 12 through March 14, 1970. The panel members rated each of the eight proposals, weighting each component of the proposals in accordance with the criteria shown in the request for proposals. A firm could get a maximum score of 100 points. The records kept by the proposal review panel show that 12 of the 13 panel members' average scores for each of the eight firms submitting proposals were as follows:

<u>Firm</u>	<u>Score</u>
A	69.26
B	67.60
BLK	66.15
C	63.45
D	53.95
E	45.54
F	43.08
G	20.31

The records did not indicate nor could HEW officials tell us why the 13th panel member did not participate. The records show that the panel members found no one proposal technically acceptable to satisfy all phases of the project; but records of a discussion among the 12 panel members indicate that seven of them would have preferred having firm B conduct the project, if they had to select one firm to do it. Four of the members said that none of the firms seemed

capable and one of them stated that firm A should conduct the project. The records show also that the majority of the panel members were in favor of awarding the contract to a combination of two or three firms.

The project officer informed us that KEW had decided against the panel's suggestion that the contract be awarded to a combination of firms because a combined award would have been a major change from the intent of the request for proposals and because it would have been difficult to choose the firm that would have had responsibility for overall direction and coordination of the project.

The contracting officer for the PEBSI project advised us that the panel recommended that four firms, whose proposals were judged to be responsive but weak in certain aspects, be asked to strengthen their proposals in the specified areas. He added that, since none of the proposals appeared to be particularly acceptable--even though seven panel members preferred having firm B conduct the project if the panel had to select one firm to conduct it--he thought it would be beneficial to the Government to conduct negotiations with the four firms to obtain better proposals.

At negotiation conferences on March 18, 1970, the four firms were notified of the areas in which each of their technical proposals was judged to be weak. These areas included intern recruiting and training, data analysis, and field operations. The contracting officer told us that, at the time the four firms were asked to strengthen their technical proposals, they were also informed that they could make any changes they wanted in their cost proposals. He said, however, that the firms were not informed that such proposals would be final. He said also that, when these firms were asked to strengthen their technical proposals and to make any desired changes in their cost proposals, they should have known that they were among the final firms being considered, even though they would not have known how many firms they were competing with at that point.

The proposal review panel met again on March 30, 1970, to review the revised proposals submitted by the four firms. At that time only eight of the 13 panel members were present. Although few records were kept on the proceedings at



this meeting, a final tally of votes was maintained which indicated the acceptability or unacceptability of the proposals. According to the file, the eight panel members voted as follows:

<u>Firm</u>	<u>Acceptable</u>	<u>Undecided</u>	<u>Unacceptable</u>
B	6	1	1
BLK	3	1	4
D	1	1	6
A	1	0	7

The revised proposals were also sent to four additional panel members, who voted as follows:

<u>Firm</u>	<u>Acceptable</u>	<u>Undecided</u>	<u>Unacceptable</u>
B	3	0	1
BLK	4	0	0
D	1	0	3
A	1	0	3

Thus nine panel members found firm B's revised proposal acceptable and two found it unacceptable; seven found BLK's revised proposal acceptable and four found it unacceptable.

On April 1, 1970, the contracting officer was notified that the panel had determined that firm B and BLK, in that order of preference, had acceptable proposals. When the cost proposals were subsequently opened it was found that the proposals of the four firms were:

<u>Firm</u>	<u>Amount</u>
A	\$862,733.00
BLK	899,369.00
D	916,633.00
B	993,619.58

The contracting officer stated that, because BLK's cost proposal was lower than that of firm B, HEW awarded a letter contract to BLK on April 10, 1970, at an estimated cost of \$899,369.

With regard to the weight given to the cost component in HEW's evaluation of the various proposals, the request for proposals stated that:

"Offerors are advised that paramount consideration shall be given to the evaluation of technical proposals, as well as price, in the award of a contract hereunder."

HEW, however, reserved the right to award the PEBSI contract to other than the low offeror.

The contracting officer told us that, subsequent to opening the cost proposals, he had contacted the HEW Audit Agency regarding the possibility of its conducting a review of the proposed costs of both BLK and firm B. He said that the Audit Agency estimated that it would take about 2 weeks to complete such a review, and he said also that negotiations would take another week. This would have resulted in the contract not being awarded until the end of April, at which time it would have been too late to organize the project for operation that summer. The project officer stated that he had decided against postponing the project for a year because the project was to provide needed information and because funds which were available for the project in 1970 might not be available at a later date.

With regard to the failure to notify the four firms that their revised proposals would be final, the Federal Procurement Regulations (41 CFR 1-3.805-1(b)) state that all offerors selected for negotiation:

"\*\*\* shall be informed of the specified date (and time if desired) of the closing of negotiations and that any revisions to their proposals should be submitted by that date."

Conclusion

We can understand the need for an expeditious award by HEW; nevertheless it appears that the offerors were never officially informed of the closing of negotiations as prescribed by the regulations. This procedural irregularity,

however, did not constitute sufficient cause to question the validity of the award of the contract.

### HEW AUDIT AGENCY REVIEW OF PROPOSED COSTS

The contracting officer informed us that he did not think it prudent to award a fixed-price contract without the benefit of a preaward review of proposed costs, especially since there was only one other acceptable proposal with which to compare BLK's cost proposal. He advised us therefore that he had awarded a letter contract to BLK on April 10, 1970, not only to allow BLK to begin work on the contract but also to allow the Audit Agency time to conduct a cost review before committing HEW to the full cost of the contract. A letter contract is used to declare the intent of an agency to enter into a contract and authorizes a contractor to proceed and to expend a percentage of the estimated cost as fixed by the contracting officer, not to exceed 50 percent of the total estimated cost of the contract. The contract must be finalized before 50 percent of the estimated cost has been incurred.

The letter contract specified that BLK was authorized to make expenditures or incur obligations, not to exceed \$360,000, in the performance of the contract prior to its finalization. It provided that negotiations for finalization of the contract begin by May 4, 1970, with a target date of May 18, 1970.

The HEW Audit Agency review of BLK's costs took longer than had been anticipated; a draft report was not submitted to the contracting officer until June 1970. The draft report questioned \$298,040 of the estimated cost of \$899,369. Of this amount, \$52,455 for salaries and fringe benefits was questioned, because it was higher than the contractor had paid in the past or because it was not directly chargeable to the contract; the entire indirect costs of \$58,644 were questioned because the contractor had not submitted the required indirect cost proposal to HEW; \$176,562 of the subcontract costs of \$268,570 was questioned because of a lack of support for the proposed costs; and \$10,379 of the proposed fee of \$33,111 was questioned because this amount of the fee was based on questioned costs.

The final report by the Audit Agency was issued on September 11, 1970, and included substantially the same comments and exceptions that had been included in the draft report.

CHANGE FROM CONTEMPLATED FIXED-PRICE CONTRACT  
TO COST-PLUS-A-FIXED-FEE CONTRACT

The contracting officer told us that, because expenditures were approaching the limit set in the letter contract, it became necessary to finalize the contract. He said that because BLK and HEW could not come to an agreement on the questioned costs he had decided that a cost-plus-a-fixed-fee contract would be more appropriate than a fixed-price contract. He said also that he had consulted with the HEW Office of General Counsel, concerning the legality of changing from the type of contract contemplated in the request for proposals, and had been informed that there would be nothing illegal in such a change.

We noted that proposals to conduct the PEBSI project were requested on the basis of a fixed-price contract and that it originally was intended that the letter contract be finalized as a fixed-price contract. The contract was finalized, however, as a cost-plus-a-fixed-fee contract. It appears that, at the time of finalization, the contracting officer was not satisfied that the contractor had fully supported its proposed costs and that he therefore decided to proceed under a cost-plus-a-fixed-fee arrangement.

On June 23, 1970, the contract was finalized as a cost-plus-a-fixed-fee contract at an estimated cost of \$899,365, including a fixed fee of \$33,111.

Conclusion

Although HEW had contemplated awarding a fixed-price contract, the use of a cost-plus-a-fixed-fee contract was justified under the circumstances.

CONTRACT MODIFICATIONS AND COST

On June 16, 1970, the first modification was made to the letter contract. This modification provided that the contractor could request and, subject to the contracting officer's approval, receive advance payments totaling \$436,361, to be advanced in three payments as follows:

<u>Date</u>	<u>Amount</u>
June 15, 1970	\$266,299
July 1, "	85,031
Aug. 1, "	85,031

The modification provided that all advance payments be deposited in a special bank account and each withdrawal be made by contractor's check, countersigned by the HEW contracting officer. These funds could be withdrawn by the contractor for the sole purpose of making payments for direct materials and labor and for administrative and overhead expenses required for the purposes of the contract. With regard to advance payments, the Federal Procurement Regulations (41 CFR 1-30.408) specify that, if--incident to a bid or proposal or after an award--an otherwise qualified contractor is found to require advance payments, there should be no hesitation in recommending to the approving authority that advance payments be established.

The contract provided that interest on the amounts advanced be charged to BLK at a rate of 8 percent of the daily amount outstanding. The contracting officer told us that he had recommended the 8-percent interest rate, on the bases of current commercial rates and the rate the Federal Government would have had to pay to borrow funds.

On December 18, 1970, a further modification was made to the BLK contract which increased the contract costs. Correspondence between BLK and HEW indicated that the increased costs were due to unanticipated problems and events including (1) use of additional personnel and added printing costs caused by an unexpected requirement that the questionnaires to be used by the interns be reviewed by the Office of Management and Budget, (2) hiring of 21 interns more than specified in the contract for the program, (3) an increase in the scope of the work of one subcontractor, authorized by HEW, resulting in additional costs being incurred by the subcontractor, (4) problems in contacting and in obtaining clearances from operators of HEW programs prior to initiating reviews of their programs, and (5) time spent in aiding an independent consultant hired by HEW to review the operations of the PEBSI project.

According to a BLK memorandum to the HEW contracting officer, the increased costs amounted to \$166,700. HEW,

however, agreed to a reduction in the requirements for BLK's final report whereby BLK was required to provide a detailed analysis of only five of the HEW programs reviewed and a more general analysis of the other 10 programs. HEW agreed also to cancel a component of the project which was to be conducted during the fall of 1970 and which was to involve part-time interns in evaluating and reporting on certain education programs. This curtailment of the scope of work reduced the estimated increase in cost by \$75,000, to \$91,700, and resulted in a total estimated contract cost of about \$991,000.

The first three volumes of the BLK four-volume final report were presented to HEW on December 31, 1970. According to correspondence between BLK and HEW, the fourth volume, an appendix, had not been printed by December 31, due to factors beyond BLK's control; primarily a curtailed work schedule of printers and composers because of holidays. The final volume was delivered to HEW on January 8, 1971.

As of February 11, 1971, the contractor had been paid \$978,057 of the total estimated contract cost of about \$991,000. The amount paid consisted of \$959,919 on vouchers submitted by BLK, and \$18,138 on outstanding advances. Pending resolution of any exceptions taken during the final audit, 15 percent of the BLK fee was withheld from each payment.

The final audit of the BLK contract by the HEW Audit Agency had been scheduled to begin on or about April 12, 1971. According to a representative of the Audit Agency, the BLK fiscal year ended on March 31, 1971; consequently, on April 12, BLK was not prepared for the HEW audit because its account books were being closed.

On April 27, 1971, a representative of the Audit Agency told us that BLK had not submitted its final voucher to HEW on the PEBSI project and that a starting date for the final audit had not been established.

## CHAPTER 4

### RESULTS, EVALUATION, AND CONTINUATION

#### OF PEBSI PROJECT

##### RESULTS OF PEBSI PROJECT

The BLK final report contained the results of the evaluations of the 15 HEW programs, conclusions based on these evaluations, and a self-assessment of the PEBSI project. PEBSI was a success according to the BLK report and showed that college students and community people could make excellent evaluations of Government programs.

The basic conclusion of the report was that HEW had not given direction to its programs. The report recommended that HEW regain some measure of the presently delegated responsibility for its programs, rather than leave supervision, enforcement, and technical assistance largely to local and State agencies. The report stated that most of the HEW programs evaluated were providing services useful to those individuals they served but that they served only a limited number.

The BLK report stated also that PEBSI was not only feasible as a concept but also potentially practical, economical, and valuable to the HEW decisionmakers at all management levels.

In February 1971 the HEW-PEBSI project staff prepared a report on the project, which stated that the PEBSI project, if refined and expanded, would provide program operators at all Federal, regional, State, and local levels with up-to-date information on the operation of HEW programs. The HEW staff concluded that in this sense the project in 1970 was a success. The report dealt with each specific segment of the project and stated that, because PEBSI was extensively monitored by HEW, a separate evaluation as conducted by an HEW contractor during 1970 (see below) was of doubtful value and was not recommended for the 1971 PEBSI project.



The HEW groups responsible for the operation of the 15 HEW programs evaluated had not completed their review of the PEBSI report at the time we completed our review in May 1971.

### CONTRACT FOR EVALUATION OF PEBSI PROJECT

On April 15, 1970, 5 days after the letter contract was awarded to BLK, Abt Associates submitted a proposal to HEW for an evaluation of the PEBSI project. The Deputy Assistant Secretary for Evaluation and Monitoring told us that he had decided on an independent evaluation but that he did not want to spend more than \$30,000 for it. He asked Dr. Abt to submit a proposal because Dr. Abt was a well-known consultant and his personal involvement would eliminate the additional costs and time which would be involved in acquainting someone new with the project.

The Abt Associates proposal stated that the firm would (1) make on-site visits during recruitment, selection, and training of interns and at the start and in the middle of the field operation, (2) make regular monthly visits to the BLK Washington headquarters operation, and (3) submit five monthly letter reports and a final report. HEW awarded a fixed-price contract to Abt Associates on June 8, 1970, at a cost of \$29,097, justifying the sole-source procurement on the basis that:

"Because he prepared the original Request for Proposal for the Programs Evaluation by Summer Interns (PEBSI) project, and served on the Proposal Review Panel, Dr. Abt, who will be the principal analyst, is uniquely qualified to perform the proposed contract to the advantage of the Government."

### Conclusion

Dr. Abt's participation in the preparation of the request for proposals and his involvement on the proposal review panel did not necessarily give Abt Associates special qualifications to perform the evaluation contract. In the interest of obtaining the fullest degree of competition, other companies should have been solicited.

## REPORT ON PEBSI EVALUATION

The Abt Associates assessment of the PEBSI project, contained in its final evaluation report of March 1, 1971, differed somewhat from the assessments by BLK and the HEW-PEBSI project staff. Abt Associates stated that HEW's first goal of recruiting, training, and mobilizing the interest of promising and capable young people for HEW service seemed to have been achieved but that the long-term mobilization of these interns for HEW service was indeterminate at that time.

The report indicated that achievement of the second goal of improved public understanding of HEW programs appeared to be inconclusive and that the third goal of increasing the efficiency of program evaluations was definitely not achieved. The report stated also that the cost of attaining these goals did not appear to be less than it would have been if other known means of conducting evaluations had been used (e.g., internal HEW staff or external contractor evaluations).

Abt Associates indicated also in its report that it was impressed by the job performed by BLK in recruiting a large group of interns from primarily disadvantaged minority backgrounds and by the level of performance of most of these interns, despite their brief and inadequate training. The report concluded that the project seemed to demonstrate that undergraduate and graduate students were capable of carrying out field evaluations.

With respect to continuation of the project, the report indicated further that the deficiencies of the initial effort in intern training, contacting program personnel for clearances, research design, and data collection and analysis could all be corrected. In addition, the report stated that, given improvements in these areas and a greater concentration of interns on fewer programs in fewer locations and with better preparation, it was possible that a PEBSI project would show superior cost effectiveness over the other currently available evaluation alternatives.

The report stated further that, if the PEBSI project were continued at approximately the same level and by the same contractor in calendar year 1971 without significant

change in project content, size, or management, the 1971 project would produce an absence of useful evaluative data similar to the 1970 project. Furthermore Abt reported that, because of HEW's lack of a clear administrative response to the 1970 project, the word would gradually get out to the many potential interns and HEW staff candidates for the project office that the project was yet another ineffectual evaluation and the initial hope that excited a great deal of enthusiasm in and around the project in 1970 would not be present in 1971.

#### AWARD OF 1971 PEBSI CONTRACT

An HEW official informed us that in October 1970 the Secretary of HEW made a verbal commitment to fund a PEBSI project in 1971. The official said that this commitment was made by the Secretary at a conference with the PEBSI interns and was reaffirmed in his speech before the National Student Symposium on the Presidency in December 1970.

In a letter dated December 9, 1970, to the HEW Director of Field Evaluation, office of the Assistant Secretary for Planning and Evaluation, the president of BLK made reference to the Secretary's commitment and re-requested a modification to the BLK contract to allow it to continue the PEBSI project for another year. The president stated that, if the contract could not be modified, BLK should be allowed on the basis of its performance to enter into a sole-source contract so that work on the project could continue without major interruption.

HEW entered into a contract, effective April 26, 1971, with the Small Business Administration (SBA) for the conduct of the 1971 PEBSI project. The contract stipulated that BLK, as a subcontractor, would perform and fulfill all the requirements of the contract, instead of SBA. SBA's cost-plus-a-fixed-fee subcontract with BLK involved about 67 interns evaluating nine HEW programs, at an estimated cost of \$502,900.

SBA officials informed us that this contracting arrangement was made pursuant to section 8(a) of the Small Business Act which authorizes SBA to subcontract with small business firms for the performance of SBA contracts with other Federal agencies. SBA regulations state that the

purpose of awarding such subcontracts is to assist small business firms not yet able to compete effectively in the marketplace. The contract files showed that HEW had informed SBA in January 1971 that it would award the contract to SBA conditional upon BLK's qualifying for section 8(a) subcontracts and being approved for the subcontract.

An SBA official informed us that BLK was approved as a section 8(a) subcontractor on the basis of the determination that BLK had not attained the goal of self-sufficiency. He stated that this determination was based primarily on the firm's financial position and lack of experience in business.

### Conclusion

The Abt Associates final evaluation report was critical, in part, of the PEBSI project but pointed out that with certain changes the project could become successful. The BLK report and the HEW-PEBSI project staff report both generally disagreed with the Abt Associates evaluation of the project and stated that the PEBSI project was a success. HEW recently requested its operating groups, responsible for the 15 programs evaluated by BLK, to comment on the BLK report. A contract was entered into for a 1971 PEBSI project, however, without benefit of these comments.

Comments from the HEW groups responsible for the 15 programs should have been obtained and the comments and the BLK report should have been fully evaluated before a contract was awarded for a 1971 PEBSI project.

## CHAPTER 5

### BACKGROUND OF PRINCIPAL CONTRACTOR PERSONNEL

In accordance with Congressman Patman's request, we obtained background information on the BLK key personnel. The information which we obtained follows.

The president of BLK has a bachelor's degree from Roosevelt University in Chicago, Illinois, and is a specialist in programs for economic and manpower development. He has served as a manpower development and training specialist for the Department of Labor and has supervised work on the development and evaluation of education, housing, child care, and economic development programs of migrants and seasonal farm workers for the Office of Economic Opportunity. He had been with another private consulting firm for 3 years prior to the establishment of BLK.

The vice president of BLK has a master's degree in sociology and has completed the course work for a doctorate degree at the University of Chicago. He was actively involved as a worker in the civil rights movement from 1964 to 1968. During this period he worked as a consultant in the areas of urban development, juvenile and family problems, and social organization. Prior to this he worked with the Joint Youth Development Committee of Chicago, where he designed and developed a law enforcement program and served as the committee's chief consultant to the Chicago Police Department, community leaders, and juvenile court officials.

The original BLK director for the PEBSI project, who resigned on August 14, 1970, due to ill health, had a doctorate degree in sociology from American University. He specialized in the field of education evaluation, particularly education of the economically and culturally disadvantaged. Just prior to joining BLK in 1969, he served as Chief of the Division of Program Experimentation at the Department of Labor, and for a year prior to that he served as Acting Director of the Research Development Branch of the Bureau of Research in the HEW Office of Education.

BLK's second director for the PEBSI project, who also served as the director of the PEBSI field operations, was employed by BLK in May 1970. She has a master's degree in social welfare administration and, prior to joining BLK, served as the Midwest Deputy Regional Director of the Community Relations Service, Department of Justice. She has served also as an advisor to the Department of Housing and Urban Development on the Model Cities program; as the director of staff development for the Department of Public Welfare in Hamilton County, Ohio; and as a social services consultant to the Chicago Commission on Youth Welfare.

The BLK Deputy Project Director for Research for the PEBSI project has a doctorate degree in sociology and has had experience as a consultant and researcher for the Department of Housing and Urban Development Model Cities program, and the Department of Labor's Study of Manpower Utilization in the Tidewater Area of Virginia. He also served on the Chicago Commission on Human Relations where he participated in the interview and analysis phases of migration studies of blacks and Puerto Ricans.

The BLK Deputy Director for Operations has a master's degree in social work, and has served as an associate director of the Model Cities program for the city of Chicago and as the director of development and planning for youth of the Chicago Commission on Youth Welfare.

## CONCLUSION

On the basis of this information, it appears to us that the persons employed by the contractor generally possessed the education and experience necessary to perform the type of work required by the contract.

## **APPENDIXES**

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## Congress of the United States

### House of Representatives

Washington, D.C. 20515

June 6, 1970

COMMITTEES:  
BANKING AND CURRENCY, CHAIRMAN  
JOINT ECONOMIC COMMITTEE, LIEBERMAN  
JOINT COMMITTEE ON DEFENSE PRODUCTION,  
VICE CHAIRMAN  
SMALL BUSINESS OF THE HOUSE

Honorable Elmer B. Staats  
Comptroller General of the United States  
General Accounting Office  
441 G Street, N. W.  
Washington, D. C. 20548

Dear General Staats:

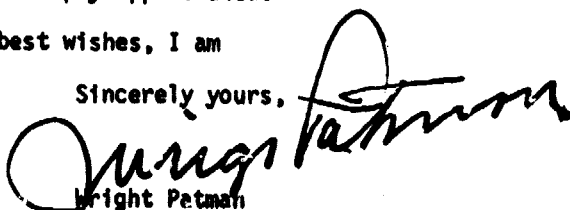
Enclosed for your kind attention is my file with respect to the Programs Evaluation by Summer Interns (PEBSI) project funded by the Department of Health, Education and Welfare and under the supervision of Dr. James G. Abert, Deputy Assistant Secretary for Evaluation and Monitoring. The project involves a contract in the amount of almost \$900,000 with BLK, Inc., a private firm based here in Washington.

As you will note in the attached correspondence, it is my contention and that of a number of professionals in the field of education that the project represents an indefensible waste of Federal funds. I also concur in the views of the National Education Association that the contract for the project was entered into without proper authority, without justifiable cause, and in violation of the intent of Congress.

If you have not already done so, I respectfully request that you order a prompt and thorough examination of this project and contract. Your assistance in this regard will be deeply appreciated.

With kindest regards and best wishes, I am

Sincerely yours,

  
Wright Petman



SCHEDULE OF SOURCE OF FUNDS FOR THE PROJECT AND PROGRAMS EVALUATED DURING THE PEBSI PROJECT

<u>Agency</u>	<u>Budget category</u>	<u>Amounts provided for PEBSI project</u>	<u>Authority to expend funds for evaluation purposes</u>	<u>Programs evaluated under PEBSI project</u>
Office of Education	Higher education	\$ 82,650	20 U.S.C. 1222	Upward Bound Student aid
Do.	Elementary and secondary education	110,175	do.	Bilingual education Title I--compensatory and migrant education
Do.	Research and training	198,675 <sup>a</sup>	do.	
Office of Education	Libraries and community services	27,550	do.	Adult basic education
Health Services and Mental Health Administration	Comprehensive health planning and services	5,500	42 U.S.C. 246(e)	Rat control
Do.	Mental health	154,275	42 U.S.C. 2688(p)	Community mental health centers
Do.	Maternal child health and welfare	164,525	42 U.S.C. 713(b)	Maternity and infant care Children and youth projects Family planning
Social and Rehabilitation Service	Development of programs for the aging	55,100	42 U.S.C. 3031 42 U.S.C. 3031(d)	Foster Grandparents Title III, Older Americans Act of 1965
Do.	Cooperative research or demonstration projects	88,150	42 U.S.C. 1310	Social Services recipients of aid for dependent children
Do.	Grants for rehabilitation services and facilities	55,100	29 U.S.C. 37(e)	Vocational rehabilitation
Office of Economic Opportunity	Economic opportunity program <sup>b</sup>	50,000	42 U.S.C. 2826	Project Head Start
		<u>\$991,700</u>		

<sup>a</sup>Funds for all educational programs.

<sup>b</sup>Project Head Start is administered by HEW but is funded by the Office of Economic Opportunity.

Description of program

Designed to develop skills and motivation necessary for success in college in academic risk high school students, 90 percent of whom must be from low-income families.

Grants to 2- and 4-year colleges and to nursing and vocational schools for work-study assignments, on and off campus, for students with financial need.

Designed to meet the special educational needs of children aged three to eighteen years who have limited English-speaking ability and who come from families where the dominant language is not English.

Grants to school systems throughout the States, to be used in areas with a high concentration of low-income families to provide compensatory programs to bring educationally deprived children up to normal achievement levels.

Designed to provide basic curriculum to people over 16 years of age, whose achievement levels in math, speaking, reading, or writing English are below the 8th grade.

Provides direct grants to supplement ongoing urban rat-control projects and to initiate new ones.

Provides construction and seed money for community and mental health centers.

Provides prenatal and postpartum care to women to reduce maternal and infant mortality and morbidity.

Designed to provide screening, diagnosis, and preventive service, both medical and dental, to children of preschool and school age.

Provides assistance in areas with high infant mortality rates and a concentration of low-income families to any low-income woman wishing family planning help.

Men and women over 60, with low incomes, who work 20 hours a week with neglected, deprived, and physically or mentally handicapped children from infancy through 16 years of age.

Designed to help the elderly maintain their independence while living in a community and to help them stay actively involved in community life.

Provides a variety of social services to present and potential recipients of aid for dependent children and to adult relatives of dependent children. Eligibility and services offered are determined at State and local levels respectively.

Provides counseling, work experience and job training, and related rehabilitation services designed to make employable a person with physical or mental disabilities or a person who is disadvantaged (sometimes interpreted to mean poor).

Open to preschool children, 90 percent of whom must come from low-income families, to help prepare them for school. Each program must include health, nutrition, parent involvement, and education components and a career development program for teachers and aides.