

# International Adoption Child Placement Agency Investigation

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*Colorado Department of Human Services*

*May 1, 2008*

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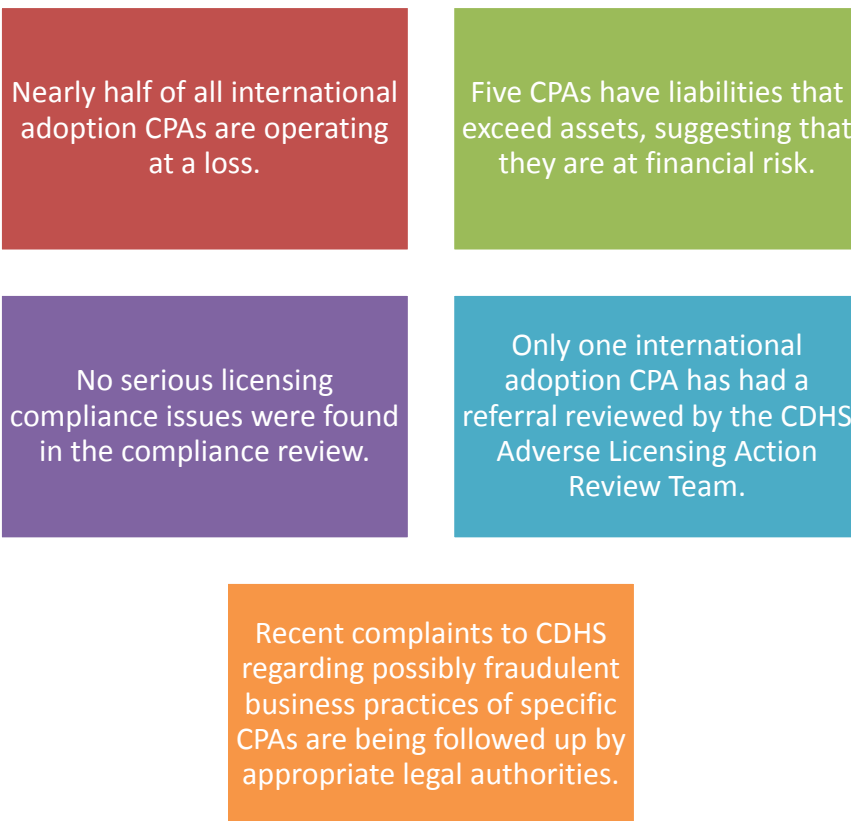
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## Executive Summary

This report from the Colorado Department of Human Services (CDHS) details its investigation of Child Placement Agencies (CPAs) in the state who conduct international adoption services. The Department began its investigation in response to complaints from a number of potential adoptive parents, as well as well-publicized news reports, regarding the business practices of certain international adoption agencies.

The Department's investigation included a thorough review of the financial audits of International Adoption CPAs, an analysis of past licensing trends/findings, and an examination of past and current complaints against CPAs in Colorado that offer international adoption services.

Key findings of this investigation are:



The report culminates with recommendations for proposed rule, procedural and policy changes that would help the Department insure it can most effectively monitor the licensing and financial conditions of CPAs conducting international adoption programs in Colorado.

## Background

The Colorado Department of Human Services (CDHS), Division of Child Care, is responsible for the licensing and oversight of Child Placement Agencies (CPAs) that provide international adoption services in Colorado. Within the past several months, complaints from potential adoptive parents, along with several high profile news articles, have raised questions at CDHS about the operations of several International Adoption CPAs in the state. As a result, the Department has conducted an in-depth 60-day review of all International Adoption Child Placement Agencies in the state to determine whether any might be operating inappropriately and what steps the Department can take to ensure appropriate services are provided to prospective parents.

In February 2008, *The Boulder Daily Camera*, *The Denver Post* and *The Rocky Mountain News* all ran stories related to the closing of several international adoption agencies in the state. In at least one of these closings, there were concerns and related parent complaints that financial practices of the agency might not have been appropriate or within the bounds of state rules and regulations.

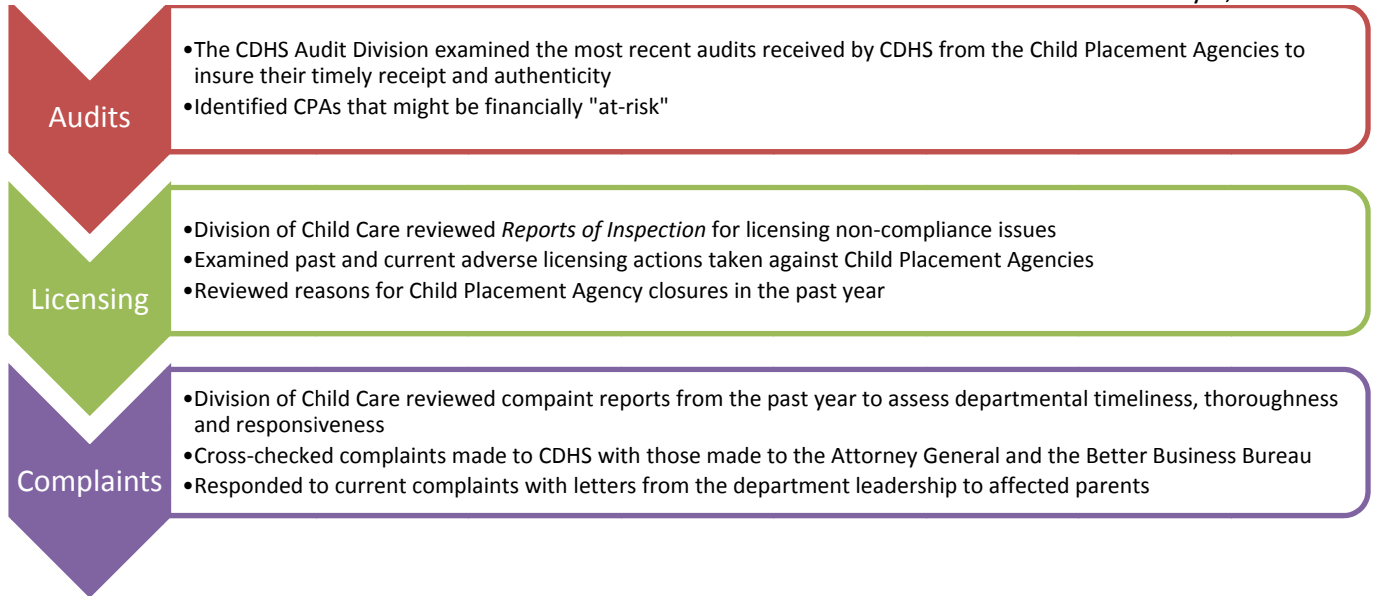
The resulting CDHS investigation has looked at twenty-seven Child Placement Agencies in Colorado that handle international adoptions. The investigation has explored:

- The financial audits and standings of the International Adoption CPAs;
- The extent to which International Adoption CPAs have met state licensing rules and regulations; and
- The complaints received by CDHS and the processes for responding to those.

The results of the investigation are detailed in this report. In addition, this report gives information about possible policy and procedural options that CDHS will consider as a result of this investigation. Next steps and ongoing actions related to Colorado's International Adoption CPAs are detailed in the last section of this report.

## Investigative Process

To conduct this in-depth investigation of Child Placement Agencies offering international adoption services in Colorado, CDHS followed several steps, outlined in the graphic below:



The ultimate goal of the investigation was two-fold. First, CDHS wanted to determine whether any of the information available to the state through financial audits, licensing or complaints might raise concerns about current or recently closed CPAs conducting international adoptions. And secondly, the Department wanted to insure that its own policies and procedures have not and will not allow problematic or even fraudulent International Adoption CPAs to operate in the state.

## Findings from Investigation

Currently, there are twenty-three Child Placement Agencies in Colorado that provide international adoption services as all or part of their business (some agencies also conduct domestic and foster care services). In addition, there are four more International Adoption CPAs that are either in the process of or have closed their doors within the past year. These twenty-seven agencies were the focus of the current investigation.

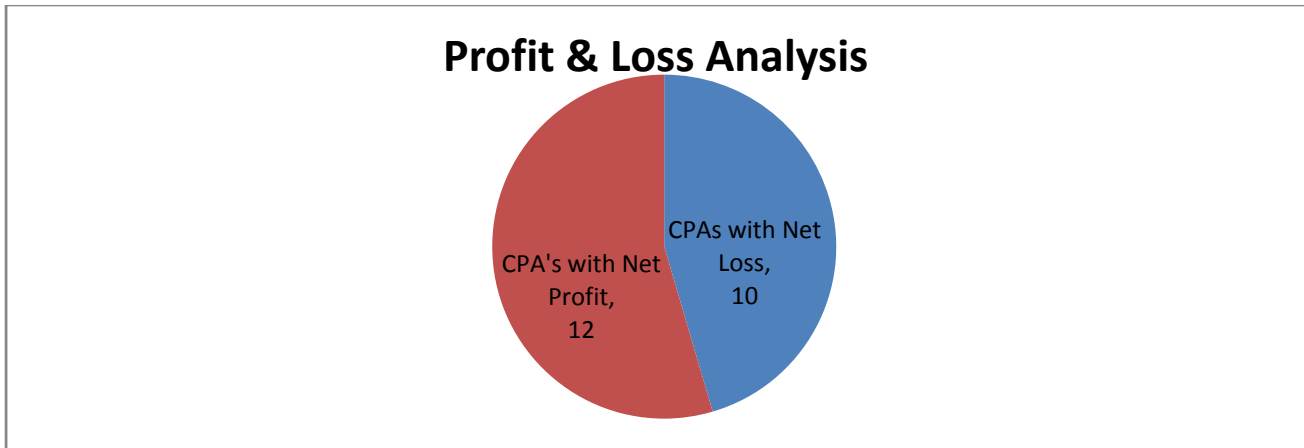
### Financial Audit Review

The financial audit looked at financial documentation from 22 of the 27 CPAs under review. Five agencies were not included in the financial audit for the following reasons:

- Two agencies are newly opened and did not have financial audits to submit;
- One agency requested an extension to file audited financial statements;
- One agency focuses exclusively on adoption home studies and trainings (not child placement); and
- One agency had already closed.

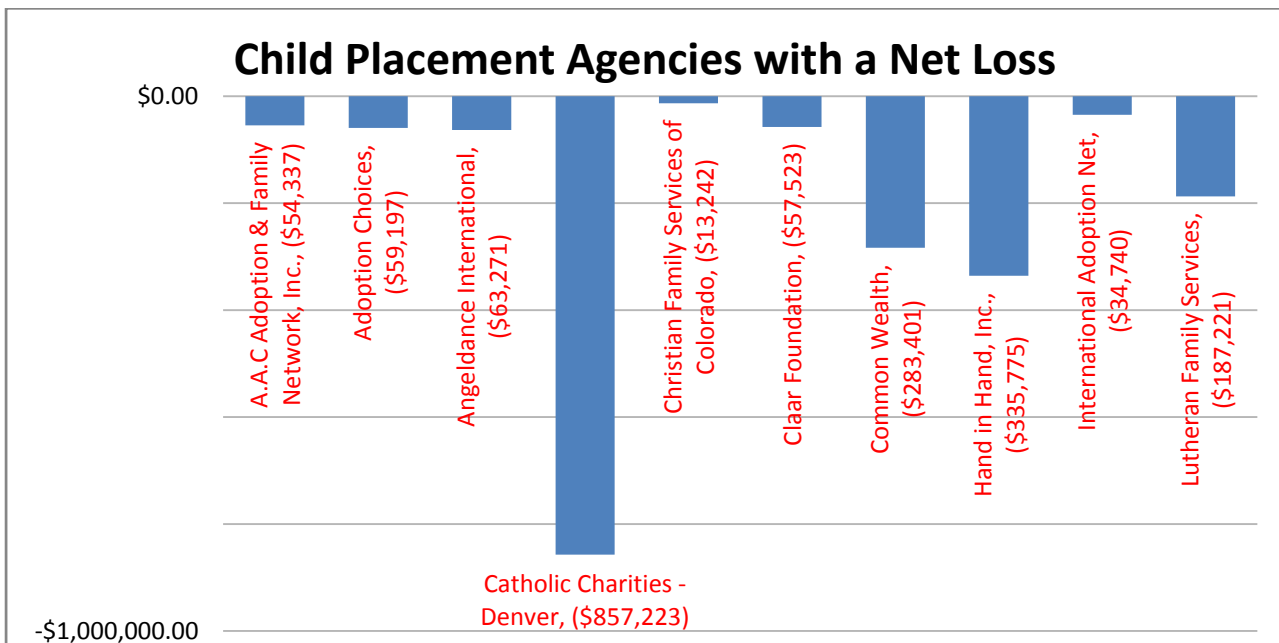
Of the twenty-two international adoption agencies whose financial audits CDHS did review, nearly half are operating at a net loss while just over half are operating at a profit.

Chart 1



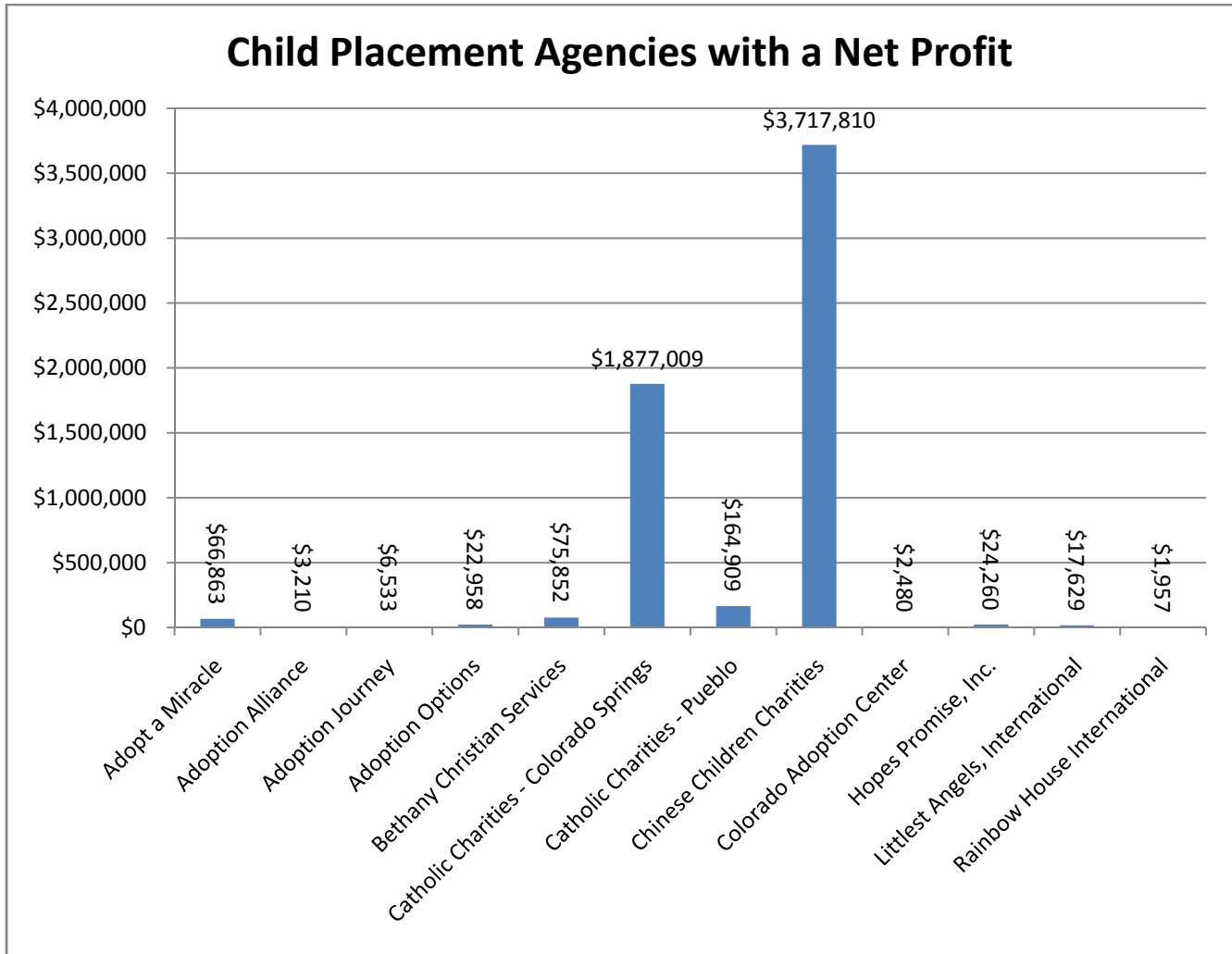
The size of profits and losses for the International Adoption CPAs vary considerably. Those operating at a net loss range from a low end of \$13,242 up to \$857,223. The size of the loss, however, does not necessarily reflect on agency viability, as some of the agencies with the highest net loss were part of larger, programmatically diverse organizations that are quite healthy financially. For instance, while the child placement operations through Catholic Charities-Denver and at Lutheran Family Services are both operating at a net loss, the overall net assets of the larger multi-program organization are more than adequate to cover this programmatic area. Similarly, other agencies, like Hand in Hand, are multi-state operations and losses do not necessarily reflect what is happening in Colorado, specifically. Nevertheless, net losses of agencies are something that CDHS does and will continue to track as part of regular reviews as they do sometimes provide a indicators of more significant financial troubles.

Chart 2



Of those International Adoption Child Placement Agencies that realized a net profit, their profits range from as little as \$1,957 to as much as \$3,717,810, although the lower range is more common. Only two agencies – Catholic Charities-Colorado Springs and Chinese Children Charities – recorded profits over \$200,000 on their most recent financial audits. As with its sister agency in Denver, the adoption services of Catholic Charities-Colorado Springs are only one program in a larger multi-program operation. Similarly, while the focus of Chinese Children Charities is on international adoption, it does have other charitable and cultural outreach programs and multi-state operations that are part of its larger budget.

Chart 3

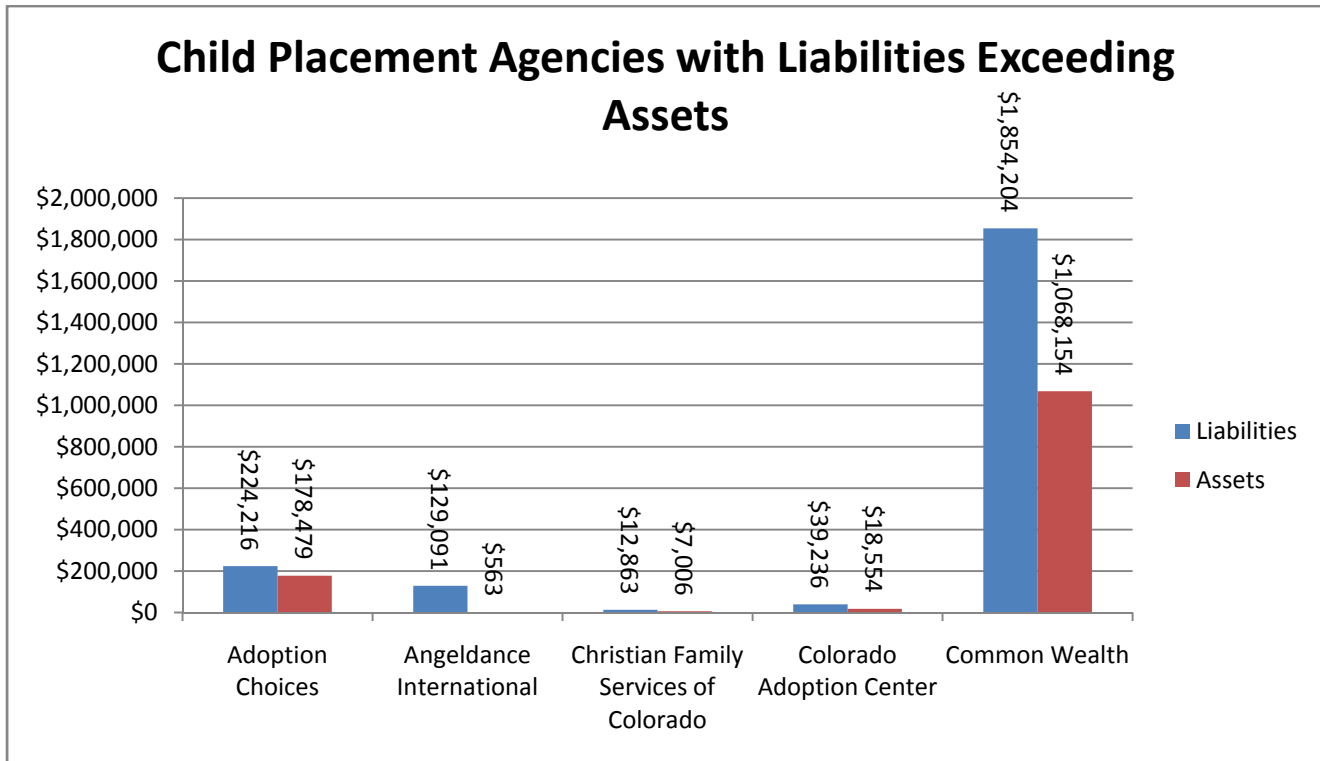


One of the key factors that CDHS financial auditors examined in this investigation was whether any of the agencies conducting international adoption services in Colorado currently have negative net assets (that is, their liabilities exceed their assets). The investigation found that, out of the 22 agencies whose financial audit information was available for review, five had negative net assets. Negative net assets are a key indicator of an agency’s ability to continue operating. This is of particular concern when agencies ultimately go out of business and/or are otherwise unable to meet their financial and contractual obligations, since it

can mean the loss of thousands of dollars paid by a prospective adoptive family to an agency for services that they subsequently don't receive.

Chart 4, below, details the assets to liabilities of the five affected International Adoption Child Placement Agencies in Colorado.

Chart 4



In addition to the information that has been presented in the above charts, the CDHS Financial Audit Division noted in their review that eight of the 22 agencies it examined had not submitted a required financial audit attachment that provides information about staff salaries and board members. Because of this, an examination of the reasonableness of staff compensation was incomplete.

A complete listing of financial audit findings for the 22 agencies reviewed is included in this report under Attachment A.

### Licensing Review

The licensing review for this investigation included three primary components: 1) a review of International Adoption CPA's compliance with State licensing rules and regulations; 2) a review of the adverse licensing actions; and 3) a review of the reasons for International Adoption CPA closures over the past 22 months.

#### *Compliance with Rules and Regulations*

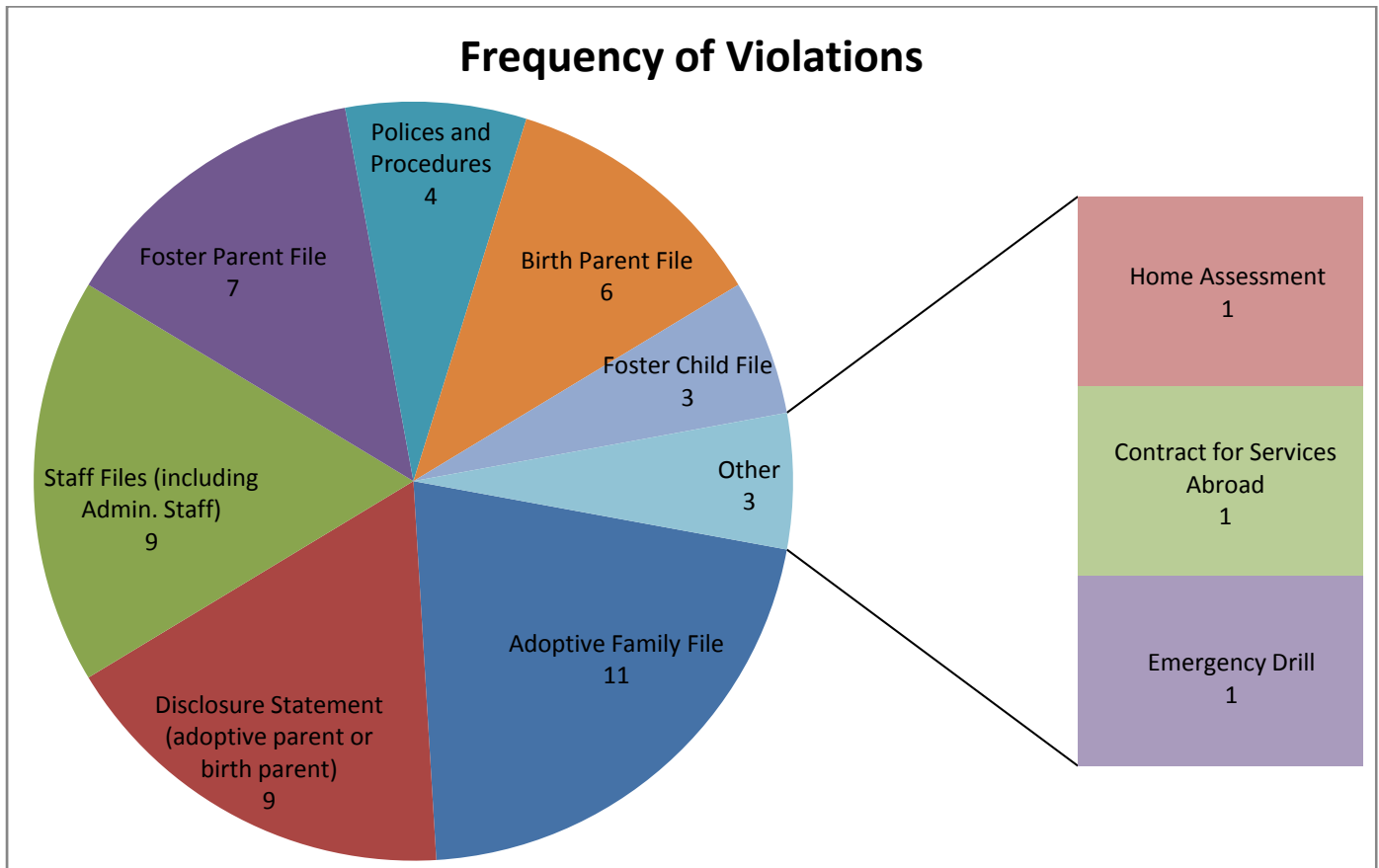
As part of the current investigation, CDHS staff reviewed the Reports of Inspection of all twenty-seven agencies in the state that provide international adoption services. Spreadsheets summarizing the results of this review are contained in Attachment B to this report.



By law, the Department conducts inspections of Child Placement Agencies conducting international adoptions using a risk-based approach (e.g., the higher the risk, the more frequent the visits). Typically, these visits take place anywhere between every one and three years. The CDHS review of the reports of these inspections focused on the most recent inspections for each agency. While the review of the Records of Inspection did turn up one or more of licensing violations at virtually every agency, the violations were all considered minor in nature. That is, they included such things as incomplete administrative records, policies or contracts on file at the International Adoption CPA. CDHS did not find any violations in the Records of Inspection that they considered “red flags” for serious agency misconduct, such as fraud or misrepresentation.

Chart 5, below, visually represents the types and frequency of violations found at the International Adoption CPAs under review.

Chart 5



### *Adverse Licensing Actions*

In addition to reviewing Records of Inspection related to the licensing of International Adoption Child Placement Agencies, CDHS also looked at any agencies that had complaints or violations referred to the Adverse Licensing Action Review Team over the past 33 months. This team is responsible for looking into more serious violations that might reflect bigger problems at an agency or related foster home. This team looks at all Child Placement Agencies, not just those providing international adoption services. And, in fact,

the violations referred to this team have related predominantly to domestic placements, particularly those that involve temporary foster home care.

Of the twenty-seven international adoption agencies that are the focus of this review, only one has had a referral to the Adverse Licensing Action Review Team between July of 2005 and the beginning of this investigation. Adverse licensing referrals are categorized by the Department as Mild, Moderate, or Severe, with the following definitions:

- Mild – Direct care of children is no longer a risk
- Moderate – Monitoring/oversight of a facility (usually a Foster Home) is required by the Child Placement Agency
- Severe – Regular monitoring by the State is required to assess ongoing compliance with rules and regulations

Chart 6 (below) provides detail on the nature of this referral relating to an International Adoption CPA.

Chart 6

ALART Referral Date	Facility	Violation Type	Recommended Risk Level	Disposition
3/18/2008	Charitable St. Philomena	Completion of domestic adoptions without authorization; no qualified director; refusal to permit inspection; and mismanagement of agency by Executive Director	Severe	Summary Suspension served on 3/22/08. The agency is now meeting its licensing requirements and has resumed operations.

Since the beginning of this investigation, CDHS has also begun to watch more closely other International Adoption CPAs for which complaints have been received. The status of these agencies is explored more in the *Complaint Investigations* section of this report.

*Review of Closures*

Since June of 2006, fifteen Child Placement Agencies in Colorado have closed or are in the process of closing. Of these fifteen agencies, four have had international adoption services as all or part of their business. In all four cases, the official reason for closure listed in the CDHS databases is “Operator’s Request.” That is, all four are listed as having closed voluntarily. Chart 7 provides this information in a table, below.

Chart 7

International Adoption Child Placement Agency Closures	License #	Closure Date	Reason for Closure
Claar Foundation- International	1521597	3/28/2008	Operator's request
Friends of Children of Various Nations- International	45118	10/31/2007	Operator's request
<b>INACTIVE-CLOSURES PENDING</b>			
Commonwealth Adoptions- International	1528942	Closure pending March 2008	Operator's request
Rainbow House International	87251	Closure pending April 30, 2008	Operator's Request

As part of this current investigation of CPAs providing international adoption services, CDHS notes that the official reasons for closure listed in the database do not necessarily capture extenuating circumstances that licensing specialists may be aware of. Proposed process changes that may better capture this kind of information in the future are discussed later in this report.

### **Complaint Investigations**

The final component of the CDHS review of International Adoption CPAs looked at any trends that might exist around complaints regarding CPAs conducting international adoptions, as well as examining departmental procedures to address those complaints.

The process the Department uses to record and track complaints has traditionally focused on recording *licensing-related* complaints into a departmental database as they occur. CDHS staff refers to this database daily to communally track and respond to issues in a timely manner. Because the Department only has legal authority to investigate those complaints that relate to licensing rules and regulations, issues outside of the Department's legal jurisdiction (e.g., business practices) have not been systematically tracked and followed. As a result of this investigation, however, CDHS has decided to adopt a new process that will track non-licensing related complaints regarding International Adoption CPAs under its supervision. This new process will insure that non-licensing issues come to the attention of CDHS supervisors and management for guidance and referral to other entities, as appropriate.

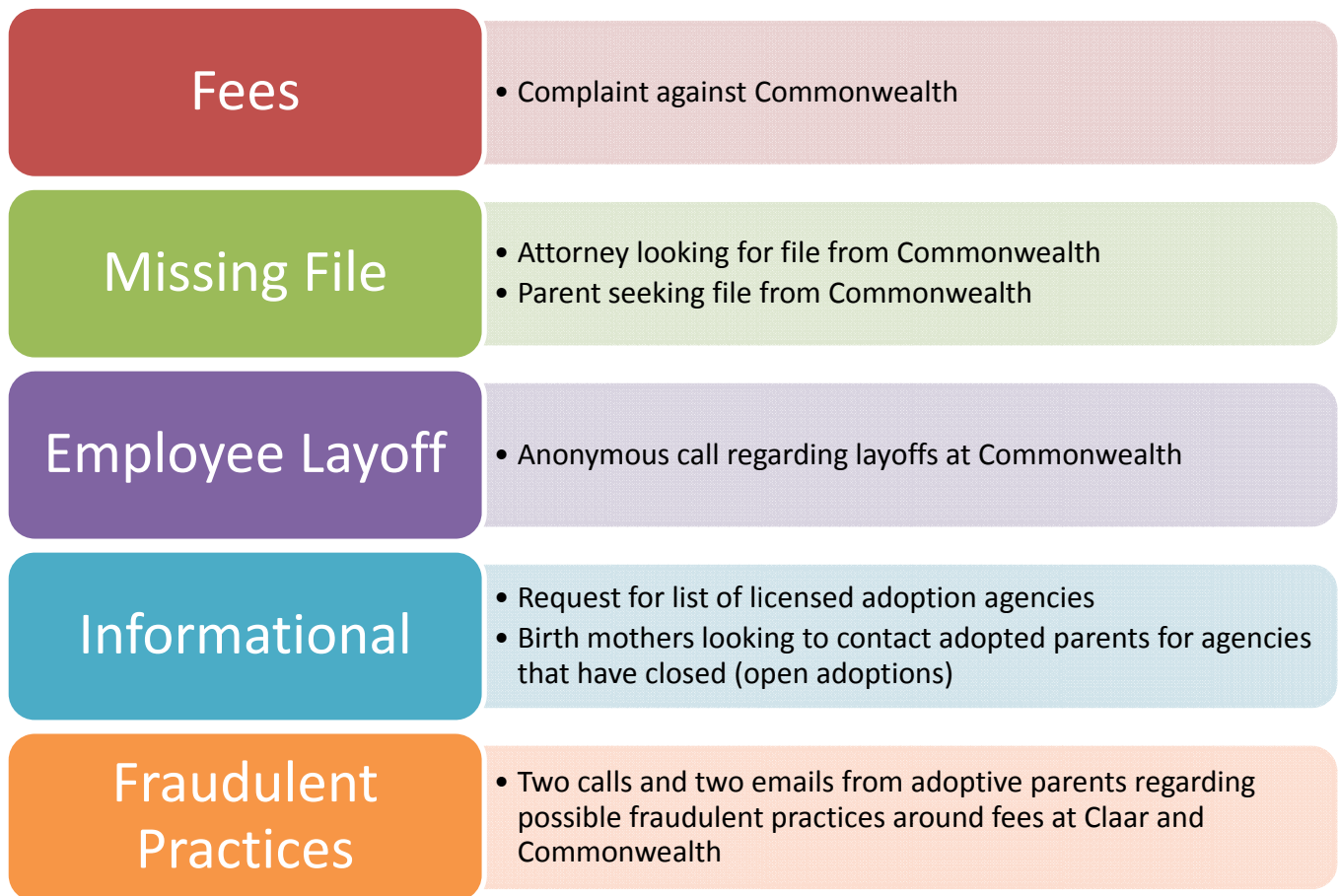
### *Ongoing Investigations*

The current investigation was prompted, in part, by recent complaints against several agencies that were reported in the major newspapers in Denver and Boulder. The majority of these complaints charged that agencies were assessing additional fees late in the adoption process after financial and emotional investments had already been made and it was too late to make arrangements with alternative agencies.

A press release sent out by the Department seeking input and information from potentially affected adoptive families resulted in nine calls and two emails to CDHS. Chart 8 details the nature of these complaints.

As a result of the complaints to the Department, top management (i.e., CDHS Executive Director and Division of Child Care Director) sent letters to five potential adoptive parents who had been working with agencies under investigation by the Attorney General. These letters notified the families of potential problems with the International Adoption CPAs under investigation to help protect the interests of the families. A sample of one of these letters is contained in Attachment C of this report.

Chart 8



Current laws, and related rules and regulations, do not give CDHS any jurisdiction over International Adoption CPA's business practices (such as what kinds of fees they charge). Instead, CDHS' oversight responsibilities are restricted to those areas that are affected by licensing rules and regulations. As a result, several actions are taking place outside of CDHS to follow up on existing complaints against CPAs that are conducting international adoption services. In particular, outside legal investigations are ongoing against two agencies: Clear Foundation and Adopt a Miracle:

#### Clair Foundation

- Based on complaints from potential adoptive families, the Boulder Police Department investigated this agency and brought criminal charges against the Executive Director on March 26, 2008. The Agency voluntarily surrendered its license on March 28, 2008. Discussions are underway to transfer client records to CDHS for further follow-up with prospective adoptive families.

#### Adopt a Miracle

- CDHS' investigation of complaints against this agency have resulted in three substantiated violations of not knowing or following the laws of Ukraine. Other complaints were either unsubstantiated by CDHS' investigation or were handled through a private solution between the CPA and their client. The Attorney General's office is investigating the complaints as well for possible consumer fraud.

## Policy and Procedural Implications

The Department's investigation into the financial audits, licensing history and complaints against International Adoption Child Placement Agencies in Colorado has resulted in several proposed rule, policy and/or procedural changes. While some of the proposed changes would require legislative action to move forward, many can and will be made more immediately by the Department through rule and procedural changes.

### Financial Audit Recommendations

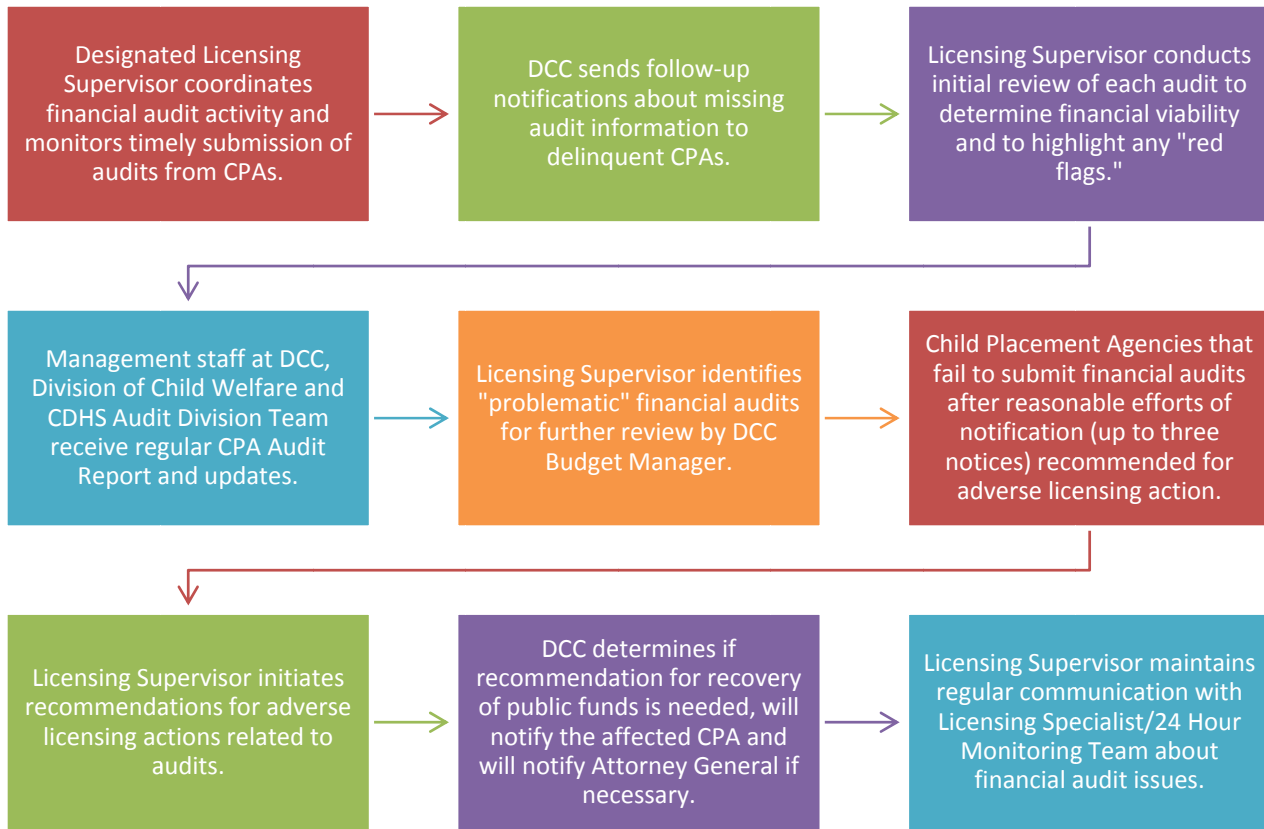
Because most of the recent complaints about International Adoption CPAs in Colorado have revolved around issues of business practices and, specifically, fees charged to prospective adoptive families, the financial audits have become an important tool in assessing the health and viability of agencies under CDHS oversight. The financial audits are a window into the functioning of an organization that isn't necessarily available through other licensing channels.

The proposed procedural changes focus on the way the Department monitors financial audits of International Adoption CPAs and on what kinds of complaints against those agencies the Department will now track. The proposed policy changes would help the Department insure that licensed International Adoption CPAs are financially solvent and complying with state licensing rules.

### *Proposed Procedural Changes*

The proposed changes in financial audit procedures put more direct and regular responsibility for financial oversight into the hands of the Budget Manager for the Division of Child Care (DCC). The changes also clearly define the CDHS Audit Division's availability to play a consulting and training role to Division of Child Care staff. Since the initiation of this investigation, the DCC staff has already begun to receive training from the CDHS Audit Division on how to review financial audits. The financial audit review procedure that will now be in place at CDHS is highlighted in Chart 9, below. A full description of the procedure is in Attachment D.

Chart 9



*Proposed Rule Changes*

The Department has the capacity to make some rule changes related to the financial stability and fee practices of International Adoption CPAs. Some of the proposed rule changes being considered in this area are summarized below. Complete details regarding these proposed rule changes are in Appendix E.

- Impose financial penalties on agencies that do not comply with rules, regardless of whether they receive public funds.

• This rule change would help to insure agency compliance with state rules and regulations around international adoptions.
- Adopt a series of rules that would protect prospective adoptive parents from paying for services that have not yet occurred and that they may not ultimately receive.

• These rules would protect the adoptive parents' financial interests.
- Require International Adoption CPAs to be bonded and have sufficient liability insurance for their size and activity levels.

• Additional rules around bonding and insurance help insure that both prospective adoptive parents and the CPAs themselves have some protection against financial losses.
- Require International Adoption CPAs to provide full disclosure statements to prospective adoptive parents around fees and liability issues.

• Disclosure statements help to insure consistent, predictable and ethical behavior from the CPAs, while also protecting the CPA from miscommunications with clients about charges and risks.

### *Proposed Policy Changes*

Based on this investigation, possible policy options have come forward that might help insure that International Adoption CPAs are financially viable and so can meet their obligations to families.

Require that CPAs maintain a certain amount of cash or liquid assets in an amount equal to deferred revenue.

•A policy of this kind would help protect prospective adoptive parents who have paid fees up front to CPAs before services are delivered.

Require that CPA's maintain a certain current ratio of assets to liabilities.

•This policy would also help protect adoptive parents and help insure the financial health and viability of a CPA, although it may be more difficult to monitor and manage.

### **Licensing Recommendations**

Licensing of International Adoption CPAs is one of the key functions of the Division of Child Care in CDHS. CDHS is currently the only accrediting entity in the nation that has been selected to accredit international adoption agencies under The Hague Convention. The Hague Convention on Protection of Children and Cooperation in Respect of Intercountry Adoption reflects the highest national and international standards for international adoption. In particular, it ensures that intercountry adoptions are in the best interest of the children and it helps prevent the abduction, exploitation, sale or trafficking of children.

Many of the Department's existing licensing standards are similar to or more stringent than Hague Convention standards, including those standards addressing:

- Staff qualifications
- Home assessment requirements
- Training for adoptive parents
- Financial audit requirements
- Itemized fee schedules

However, the Hague Convention requirements surpass Colorado's licensing standards in several areas, including:

- Requirements to maintain sufficient cash reserves
- Insurance coverage levels
- Bonding of employees handling funds
- Specific policies on the prohibition of child buying
- Rules around the composition and roles of Boards of Directors
- Staff training
- Quality improvement and complaint reporting

### *Proposed Rule Changes*

CDHS' recommendations around licensing focus on raising all licensing standards to the level of Hague Convention standards or higher.

Adopt Hague Convention accreditation standards for all licensing areas that are more stringent than Colorado licensing standards.

- Strengthen Colorado licensing standards in areas that are not as stringent as Hague Convention standards and maintain Colorado standards that already surpass Hague Convention requirements.

Currently in Colorado, five International Adoption CPAs have been approved by CDHS as Hague Convention accredited agencies: Adoption Options; Angeldance International; Chinese Children Adoption International; Hand in Hand International Adoptions; and Hopes Promise. These agencies meet Colorado's standards as well as the Hague Convention standards.

### **Complaint Monitoring Recommendations**

As a result of the present investigation, CDHS has established new procedures to monitor complaints that go beyond licensing issues. The proposed changes here would allow the Department to track and respond to complaints that may fall outside licensing regulations, but that could signal issues with the business and ethical operations of International Adoption CPAs.

### *Proposed Procedural Changes*

Currently, CDHS Licensing staff enters complaints into an internal database that tracks the day-to-day procedures of the Department. These complaints are entered as they are received. In the past, only licensing-related complaints were entered into this database. Under the proposed process changes, however, all adoption-related complaints received by the Department will be entered into this database and followed up to determine if non-licensing violations may have occurred that need further attention. Any trends or issues that are identified from this complaints database will be discussed with the Budget Manager, Administrator and/or the Division Director for guidance.

Enter all adoption-related complaints into complaint database.

- Non-licensing complaints will be flagged for discussion with top management at the Division of Child Care and CDHS.

## **Conclusion**

The Colorado Department of Human Services' investigation into International Adoption Child Placement Agencies has revealed that financial stability is a potential problem for a number of the agencies conducting international adoption in Colorado. Despite this, there has only been one licensing violation at Colorado's International Adoption CPAs that has led to adverse action by CDHS in almost three years, although two other agencies have received close scrutiny and follow-up by the Department since the start of this investigation due to ongoing complaint issues.



As a result of this investigation, CDHS is proposing several changes to policy, rules and procedures that should help strengthen its oversight of International Adoption CPAs, not only in the area of licensing, but other business practices that might raise concerns for families and the public.

## ATTACHMENT A – Financial Audit Findings

Agency	Net Income or (Loss)	Net Assets	Highest Salary	Salaries as a % of overall expenses	Attachment A	Other observations
A.A.C Adoption & Family Network, Inc.	-\$54,337	\$785,811	\$94,136	14.29%	yes	
Adopt a Miracle	\$66,863	\$137,886	\$60,000	44.37%	yes	
Adoption Alliance	\$3,210	\$310,417	not disclosed	58.81%	yes	
Adoption Choices	-\$59,197	-\$20,048	\$60,000	18.75%	yes	Liabilities exceed assets \$224,216 > \$178,479
Adoption Journey	\$6,533				yes	Owner only sent in Schedule C Tax summary
Adoption Options	\$22,958	\$259,557	not disclosed	55.19%	no	
Angeldance International	-\$63,271	-\$129,654	not disclosed	32.73%	no	Significant payable to director of \$93,945; liabilities exceed assets \$129,091 > \$563
Bethany Christian Services	\$75,852	\$37,388,717	\$67,069	28.83%	yes	Agency guarantees (co-signs) loans that are made by banks to adoptive parents - and then loan funds are disbursed to the agency. Net assets are for the parent company as whole - which is a large multi-state agency. Net income is for the adoption portion of their agency.
Catholic Charities - Colorado Springs	1,877,009	\$4,890,527	\$28,403	58.02%	yes	Net income and net assets are for the overall organization which includes services and programs other than adoption.
Catholic Charities - Denver	-\$857,223	\$23,343,205	\$37,982	not separate	yes	Net income and net assets are for the overall organization which includes services and programs other than adoption. Even though entity had a loss, overall net assets are healthy.
Catholic Charities - Pueblo	\$164,909	\$1,029,390	\$41,000	57.56%	yes	Net income and net assets are for the overall organization which includes services and programs other than adoption. Adoption revenue/expenses are very small.
Chinese Children Charities	\$3,717,810	\$20,523,873	\$87,840	50.12%	yes	
Christian Family Services of Colorado	-\$13,242	-\$5,857	not disclosed	41.36%	no	Liabilities exceed assets \$12,863 > \$7,006
Claar Foundation	-\$57,523	\$81,243	\$169,350	26.33%	no	Notes to financial statements were not available; certified public accountant's license was suspended at the time the financial audit was done; cpa is deceased; rent expense of \$60,110 seems high but could be o.k. Depending on space needed and number of employees; officer and director compensation seems high in comparison to all other statements reviewed.
Colorado Adoption Center	\$2,480	-\$20,683	\$9,635	25.43%	no	Very small agency, and liabilities exceed assets \$39,236 > \$18,554

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Agency	Net Income or (Loss)	Net Assets	Highest Salary	Salaries as a % of overall expenses	Attachment A	Other observations
Common Wealth	-\$283,401	-\$182,841	not disclosed	not separate	no	Liabilities exceed assets \$1,854,204 > \$1,068,154
Hand in Hand, Inc.	-\$335,775	\$95,747	not disclosed	72.51%	no	Multi-state agency; Colorado not disclosed separately
Hopes Promise, Inc.	\$24,260	\$192,089	\$62,720	54.93%	no	Agency incurred a significant loss in the prior year; but had net income in the current year. O.K. - virtually no debt.
International Adoption Net	-\$34,740	\$45,931	\$67,125	44.45%	yes	
Littlest Angels, International	\$17,629	\$19,345	\$20,327	21.32%	yes	
Lutheran Family Services	-\$187,221	\$1,570,469	\$47,500	53.97%	yes	Net loss and net assets are for the overall organization which includes services and programs other than adoption. Adoption expenses were \$428,251.
Rainbow House International	\$1,957	not disclosed	\$1,300	12.48%	yes	Very small, but statements were not adequate

## ATTACHMENT B – Licensing Compliance Review

### Licensing Findings

Facility (4/17/08)	Date of ROI	Adoptive Family File	Disclosure Statement (adoptive parent or birth parent)	Staff Files (including Admn. Staff)	Foster Parent File	Policies and Procedures	Birth Parent File	Foster Child File	Home Assessment	Contract for Services Abroad	Emergency Drill
AAC Adoption and Family Network, Inc.	3/06		X								
Adopt A Miracle	8/06		X		X						
Adoption Alliance*	2/07	X			X	X		X			
Adoption Choices of Colorado	6/06			X						X	
Adoption Homestudy and Training Agency	4/07	X		X	X						
Adoption Journey	2/07	no violations									
Adoption Options	9/06			X	X		X				
Angeldance International	5/06										
Bethany Christian Services of Colorado*	7/07	X	X	X	X		X	X			X
Catholic Charities and Community Service *	5/07	X					X				
Catholic Charities of Colorado Springs, Inc.	4/06	X		X	X		X				
Catholic Charities Diocese Pueblo	9/06		X								
Charitable St. Philomena Adoptions	9/06		X			X					
Chinese Children Adoption International	4/06	X		X							
Children's Hope International	unk										
Christian Family Services of Colorado, Inc.	9/05	X	X	X		X	X		X		
Colorado Adoption Center	10/03		X	X							
Hand in Hand	6/06	no violations									
Hopes Promise	9/05	X			X		X				
International Adoption Network	5/07	X	X	X							
Lighthouse Adoptions	3/07	no violations									

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Facility (4/17/08)	Date of ROI	Adoptive Family File	Disclosure Statement (adoptive parent or birth parent)	Staff Files (including Admn. Staff)	Foster Parent File	Policies and Procedures	Birth Parent File	Foster Child File	Home Assessment	Contract for Services Abroad	Emergency Drill
Littlest Angels International, Inc.	10/06	X									
Lutheran Social Services of Colorado*	12/06							X			
Rainbow House International	10/05	X	X			X					
Friends of Children of Various Nations	unk										
CLAAR Foundation	1/06										
Commonwealth Adoption International, Inc.	6/06										

X=Finding of a Licensing Violation

\* These CPAs provide foster care services, in addition to their international adoption programs.

Explanation of Licensing Findings

AGENCY	VIOLATION	VIOLATION	VIOLATION
AAC Adoption and Family Network, Inc	Disclosure Statement		
Adopt a Miracle	Disclosure Statement	Adoptive Child File- incomplete records,	
Adoption Alliance	Adoptive Family File- unapproved state application, incomplete records, policies, monthly contact by agency	Adoptive Child File- incomplete records,	Incomplete Policies and Procedures
Adoption Choices of Colorado	Contract for Services Abroad	Staff File-background check	
Adoption Homestudy and Training of Colorado	Adoptive Family File- unapproved state application, incomplete records	Staff File- lack of official transcript	
Adoption Option	Adoptive Family File- unapproved state application, incomplete	Staff File-job description	

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<i>AGENCY</i>	<b>VIOLATION</b>	<b>VIOLATION</b>	<b>VIOLATION</b>
	records		
Bethany Christian Services of Colorado	Adoptive Family File-incomplete records	Adoptive Child File-incomplete records	Incomplete Policies and Procedures
Catholic Charities and Community Services	Adoptive Family File-incomplete records		
Catholic Charities of Colorado Springs	Adoptive Family File-incomplete records	Adoptive Child File-incomplete records	Staff File-references
Charitable St. Philomena Adoptions	Disclosure Statement	Policies and Procedures	
Chinese Children	Adoptive Family File-incomplete records	Staff File-incomplete records	
Christian Family Services	Adoptive Family File-incomplete records	Adoptive Child File-incomplete records	Staff File-incomplete records
Colorado Adoption Center	Staff File-references	Adoptive Family File-incomplete records	
Hopes Promise	Adoptive Family File-incomplete records	Staff File-background check missing	
International Adoption Net	Adoptive Family Files-incomplete records	Staff File-incomplete records	
Littlest Angels	Adoptive Family Files-incomplete records		
Lutheran Family Services	Adoptive Family Files-incomplete records	Adoptive Child File-incomplete records	
Rainbow House	Adoptive Family File-incomplete records	Policies and Procedures	Disclosure Statement

## **ATTACHMENT C – Sample Letter to Adoptive Families**

February 12, 2008

Names of Adoptive Parents:

The Colorado Department of Human Services has received your complaints concerning the CLAAR international adoption agency. It is our understanding that you have requested to have your file transferred to Adopt A Miracle international adoption agency.

This letter is to advise you that this Department has received several complaints concerning Adopt A Miracle. These complaints have been sent to the Better Business Bureau and can be obtained from there. We are unable to release them at this time because the Department is still investigating.

For your information we are including a report of the other licensed international adoption agencies in the State of Colorado. We hope this information is helpful to you in your adoption process.

Sincerely,

Karen L. Beye  
Executive Director

Enclosure:                      List of Agencies

## **ATTACHMENT D – Revised DCC Procedures to Monitor Financial Audits**

1. The Division of Child Care (DCC) has designated a Licensing Supervisor to coordinate activity related to financial audits and to monitor all child placement agencies' timely submission of annual financial audit information.
2. Follow-up mailings/notifications/inquiries about financial audit information are sent to Agencies who fail to meet the required audit deadline and accounting standards/requirements, as necessary.
3. The Licensing Supervisor will complete an initial review of each CPA financial audit and the supplementary forms to capture information about financial viability and possible "red flags" in the financial audit. Essential information is recorded on a template that has been developed by the Division.
4. The CPA Audit Report / updates are shared regularly with Division of Child Care's management staff, Division of Child Welfare's management staff and CDHS Audit Division Team.
5. The Supervisor will identify "problematic" financial audits for further review by the DCC Financial Manager. As necessary, Division of Child Care will be responsible for the initial review, will develop follow-up communication/letters of inquiries and will provide needed follow-up to audited financial statements and any concerns noted about financial audits. CDHS Audit Division is available to consult about what type of additional follow-up information is needed from child placement agencies about the financial audit and use/misuse of public funds.
6. Child placement agencies that fail to submit financial audits after reasonable efforts of notification about the absent /inadequate audit information will be recommended for fines or other action against the license.
7. Up to three formal notifications will be made to Agencies to obtain financial audits/statements that have not been submitted to the Division before recommendation for adverse licensing action (usually fines) will be requested through the Attorney General's office.
8. The Supervisor will be responsible for initiating recommendations for adverse licensing actions related to financial audits for the Division of Child Care.
9. Division of Child Care will determine when a recommendation for recovery of misused public fund is needed. DCC will be responsible for notification to the child placement agency. If the agency fails to provide adequate additional documentation within 30 days of the request for recovery of misused public funds, notification will be sent to the Attorney General's office for charges. DCC is responsible for reviewing additional information submitted and may consult with CDHS Audit Division in an effort to recover funds.
10. The CDHS Audit Division's managers will provide training/updates about accounting procedures and review of financial audits as needed for Division of Child Care staff.
11. The Licensing Supervisor will maintain regular communication with Licensing Specialist/24 Hour Monitoring Team about activity related to the financial audits and will involve them in monitoring activity as needed.



## **ATTACHMENT E – Proposed Rule Changes**

1. Each agency would be required to set up “escrow” or “pass through” accounts for any money that prospective adoptive applicants were required to pay directly to the foreign country.
2. Each agency would be required to refund any monies not paid to the foreign country within 30 days of the date the money was to be paid to the foreign country.
3. Each agency would only be able to collect fees from adoptive applicants for the services being rendered. It would be a fee for service agreement. Fees would be set out ahead of time and paid prior to an activity.
4. Agencies would be required to maintain on average sufficient cash reserves, assets, or other financial resources to meet its operating expenses for two months, taking into account its projected volume of cases and its size, scope and financial commitments.
5. Each agency’s chief executive officer, chief financial officer, and other officers or employees with direct responsibility for financial transactions or financial management of the agency must be bonded.
6. The fees, wages, or salaries paid to the directors, officers and employees of the agency shall not be unreasonably high in relation to the services actually rendered.
7. The agency provides to all applicants, prior to application, a written schedule of expected total fees and estimated expenses and an explanation of the conditions under which fees or expenses may be charged, waived, reduced, or refunded and of when and how the fees and expenses must be paid.
8. Before providing any adoption service to prospective adoptive parents the agency itemizes and discloses in writing information for each separate category of fees and estimated expenses that the prospective adoptive parents will be charged. This includes the fee for the home study, adoption expenses in the United States, Foreign Country program expenses, care of the child expenses, translation and document expenses, contributions to child welfare service programs in the child’s country, and post-placement and post-adoption report expenses.
9. The agency does not customarily charge additional fees and expenses beyond those disclosed in the adoption services contract and has a written policy to this effect. In the event that unforeseen additional fees and expenses are incurred in the foreign country, the agency charges such additional fees and expenses only when it discloses the fees and expenses in writing to the prospective adoptive parent; it obtains the specific consent of the parent prior to expending any funds in excess of \$1000.00 for which the agency will hold the prospective adoptive parents responsible, and the agency provides written receipts to the prospective adoptive parents for fees and expenses paid directly by the agency in the foreign country.
10. The agency returns any funds to which the prospective adoptive parents may be entitled within sixty (60) days of the completion of the delivery of services.

11. If the agency requires the prospective adoptive parents to sign a waiver of liability, the waiver required is limited and specific, based on risks that have been discussed and explained to the client in the adoption services contract.
12. The agency has a quality improvement program appropriate to its size and circumstances through which it makes systematic efforts to improve its adoption services as needed.
13. The agency maintains professional liability insurance in the amounts reasonable related to its exposure to risk.