



REPORT OF
THE
STATE AUDITOR

Subsidized Adoption Program
Division of Child Welfare Services

Performance Audit
March 2002

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This report contains the results of a performance audit of the Subsidized Adoption Program in the Colorado Department of Human Services' Division of Child Welfare Services . The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government. The report presents our findings, conclusions, and recommendations, and the responses of the Division of Child Welfare Services.

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Authority, Purpose, and Scope

This audit of the Subsidized Adoption Program was conducted under the authority of Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of the state government. The audit was conducted in accordance with generally accepted government auditing standards. Audit work was performed from July 2001 through January 2002.

The audit evaluated all aspects of the Subsidized Adoption Program. We reviewed overall program effectiveness, the timeliness of the adoption process, the appropriate payment of adoption subsidies, the impact of varying subsidy rates, and the negotiation of adoption subsidy types and amounts.

This report contains findings and 14 recommendations for improving the Subsidized Adoption Program. We would like to acknowledge the efforts and assistance extended by management and staff from the Colorado Department of Human Services and county departments of social services. The following summary provides highlights of audit comments, recommendations, and responses contained in the report.

Overview

In Colorado, children can be adopted through private organizations or through the Department of Human Services. Many of the children available for adoption through the Department of Human Services have serious physical, mental, and emotional disabilities, or are difficult to place because of their age or membership in a sibling group. Colorado's Subsidized Adoption Program, administered by the Division of Child Welfare Services, plays a key role in placing these special needs children into permanent adoptive homes. The Program provides financial assistance to adoptive families which includes regular monthly adoption subsidies and Medicaid coverage for the adopted child.

Colorado's Subsidized Adoption Program consists of both a state/county program and a federal Title IV-E adoption assistance program. In Fiscal Year 2000 more than 80 percent of the children in the Program were enrolled under Title IV-E. Monthly adoption subsidies under the Title IV-E program are paid using 30 percent state funds, 20 percent county funds, and 50 percent federal funds. For subsidies that are not eligible for Title IV-E reimbursement, the State contributes 80 percent and the counties 20 percent of the funding.

For further information on this report, contact the Office of the State Auditor at (303) 869-2800.

Monthly adoption subsidy expenditures have increased nearly 600 percent over the past ten years, from \$3.2 million in State Fiscal Year 1992 to \$26.5 million in State Fiscal Year 2001. We were unable to obtain accurate figures for case services, nonrecurring adoption costs, and Medicaid because these cost categories are not discretely tracked. The number of children in the Program who receive subsidies has also increased, from just over 900 in Fiscal Year 1992 to over 4,000 in Fiscal Year 2000.

Program Effectiveness

The primary purpose of the Subsidized Adoption Program is to find permanent adoptive homes for special needs children in the State's custody by providing financial assistance to families adopting these children. Data such as the number of successful and unsuccessful adoptions and reasons why they succeed or fail provide indicators of the extent to which the Program is accomplishing its goals.

In general, we found that the Division and counties do not collect, compile, and use dissolution and out-of-home placement data for the subsidized adoption population on an ongoing basis. We used information collected through file reviews of 168 cases to determine if subsidized adoption placements are resulting in permanent homes for children with special needs. We found that in 18 of the 168 cases in our sample (11 percent), children had to be placed outside of their adoptive homes. In half of these 18 cases, the reason for the out-of-home placement was an allegation of abuse or neglect of the child. In addition, six of the cases in our sample ended in dissolutions, four of which were due to abuse or neglect. The Division does not require counties to collect, evaluate, and report on this type of information. Tracking and evaluating both the number and causes of out-of-home placements and dissolutions can be useful in identifying ways to prevent future dissolutions and provide services and supports to families to better address crises that may arise.

Expediting the Adoption Process

We found that Colorado ranks 25th among all states in the average amount of time that elapses between the termination of parental rights and the finalization of adoption. In Federal Fiscal Year 1999 Colorado reported that it took an average of about 15 months from the termination of parental rights to the finalization of adoption. The average time reported by other states ranged from about 6 months to about 26 months. Placing children in permanent adoptive homes as quickly as possible reduces the likelihood of multiple foster placements and reduces the State's foster care costs.

Although a number of factors may influence the amount of time required to finalize adoptions, we found that some counties have implemented practices that are particularly useful in expediting the adoption process, including concurrent planning and foster-adoption programs. Concurrent planning addresses a child's need for a permanent home by developing an alternative plan while, at the same time, working toward reuniting the child with his or her family. Foster-adoption programs are an expanded version of concurrent planning

and involve counties' placing children who are not yet legally available for adoption with foster parents who are willing to adopt the children if and when they become available. Using our sample of case files, we compared the time it took for Colorado's two largest counties to finalize adoptions between 1998 and 2000. We found that the county using a foster-adoption program was able to finalize nearly 60 percent of the cases in our sample within six months of the termination of parental rights. In contrast, the county that does not have a comprehensive foster-adoption program finalized none of the cases in our sample within 6 months and took over 18 months to finalize nearly 60 percent of the cases. In addition to shortening the adoption process, other advantages to using concurrent planning and foster-adoption programs include allowing ample time for children to bond with the adoptive family, allowing time to identify and address problems, and reducing the number of placements for the child.

Post-Adoption Services

Research studies indicate that providing post-adoption services to families can be effective in preserving adoptive placements. Overall, Colorado counties provide limited post-adoption services and supports to families in the Subsidized Adoption Program. However, we found that four counties in our sample have good post-adoption services programs that include implementing educational and training programs for adoptive families, developing respite care programs, providing support groups to prevent dissolutions, and creating newsletters and handbooks that provide families with information on adoptive resources available in their communities. Funding for expanded post-adoption services programs may be available through federal Title IV-B monies or federal adoption incentive grants received by the State for increasing the number of adoptions finalized.

Assessing Children's Needs

One of the main ways that counties assess children's special needs is using formalized, written assessment tools. We found that 13 counties in our sample of 20 use such tools to identify the needs of the children and determine the adoption subsidy amounts. The remaining seven counties use a less formal approach for identifying the severity of the child's needs—they meet with the families and discuss the children's needs. Although formal assessment tools can be helpful in determining children's needs, we found that many counties do not weight the factors in the assessment tools, so factors of varying importance may be considered of equal value. In addition, we found a lack of documentation, such as medical or mental health evaluations, to support some of the identified needs. In our sample of 89 cases where adoptions were finalized between 1998 and 2000, we found there was no documentation to support diagnoses of physical, mental, or emotional disabilities for 24 cases (27 percent). These diagnoses are used to measure the severity of the child's needs. It is important for counties to properly assess children's special needs to ensure that children receive the services they need and to establish subsidy amounts that are appropriate to meet those needs.

Adoption Subsidy Payments

We identified a number of problems with adoption subsidy payments, including:

- The Division did not submit timely claims to the federal government for reimbursement of nonrecurring adoption costs incurred between July 1999 and June 2001. In Colorado, families adopting special needs children can be reimbursed for up to \$800 in costs they incur as part of the adoption process (known as "nonrecurring adoption costs"). Division records indicate that the State spent more than \$900,000 in nonrecurring adoption costs between July 1999 and June 2001. The State was eligible to be reimbursed for 50 percent of these costs, or more than \$450,000. As a result of our review of this issue, in January 2002 the Division submitted a retroactive request for reimbursement of costs incurred between October 1999 and June 2001. However, because the Division delayed its request for reimbursement, it was not able to request the 50 percent federal match, estimated at \$53,500, for costs incurred from July through September 1999.
- We estimate that the State paid about \$466,000 in unauthorized subsidies because counties continued paying adoption subsidies after children turned age 18. In general, federal statutes and state regulations require subsidy payments to end in the month following a child's 18th birthday. The State may be required to reimburse the federal government an estimated \$233,000 in unallowed payments due to the continuation of these subsidies.
- The Department's rules and regulations do not clearly describe how counties should handle adoption subsidies in out-of-home placement situations. Out-of-home placements occur when adopted children are placed in foster homes or treatment facilities, such as residential treatment centers, either to receive treatment related to behavioral or mental health issues or to address alleged abuse or neglect. We found that counties use a number of approaches for handling adoption subsidies when adoptive children are placed out of the home. Some counties suspend the adoption subsidy, some continue the subsidies and assess fees to the families for the out-of-home placements, and some continue the subsidies but do not assess fees to the families. When counties continue paying the subsidy but do not assess a fee, the government incurs a double cost for the children—first for the original adoption subsidy, second for the payment to the foster care home or treatment facility. The Division has not provided clear direction to counties on how to handle adoption subsidies in out-of-home placement situations.
- As part of its annual monitoring reviews over the past two years, the Division identified 15 subsidy cases in which the counties either did not create an initial adoption subsidy agreement or the agreements were not signed prior to the finalization of the adoption. Because the paperwork was not in compliance with state and federal requirements, these 15 cases were technically not eligible for either the Title IV-E or the state/county program. The Division directed the counties to reassign

the cases so that only state/county funds were being used. As a result of the reassignment, the 50 percent federal match for the subsidies will not be available, so the subsidies will be paid using 80 percent state funds and 20 percent county funds. We estimate these cases will cost the State about \$415,000 more over the term of the subsidies than if they had continued under the Title IV-E program.

Adoption Subsidy Negotiations

We evaluated the methods used by counties to set rates and determine adoption subsidy types and amounts. We found:

- The adoption subsidy rates set in counties' policies and the average monthly subsidies paid by counties varied significantly. For instance, among the 20 counties in our sample, we found that the maximum adoption subsidies rates set in county policies ranged from \$423 per month to \$1,582 per month and the actual monthly subsidy payments made in Fiscal Year 2000 averaged between \$99 and \$714. While flexibility in the Program is generally good, we noted potential problems with the wide variation in rates. For example, counties with higher rates may attract prospective adoptive parents from other counties with lower rates. As a result, counties paying lower rates may encounter difficulties in finding prospective adoptive parents for children in their custody, and these children may languish in the foster care system.
- Two counties in our sample set their adoption subsidy rates higher than allowed because they include a respite care allowance in their subsidy rates. The Department's rules and regulations do not allow counties to include respite care in their adoption subsidy rates. We estimate that by including respite care in their rates, these two counties' exceeded the maximum allowable subsidy payment by nearly \$110,000 in Fiscal Year 2000.
- Improvements are needed in how counties negotiate adoption subsidies. We found that most counties do not consider the circumstances of the family when determining the type and amount of the subsidy, as required by federal and state regulations. In addition, the Division does not actively encourage counties to set adoption subsidies at the lowest amount that will meet the needs of the families.
- We found that 13 counties in our sample automatically increase the adoption subsidy amount when children enter new age categories. This practice does not address the three main criteria for determining subsidy amounts: whether the child's needs have intensified, the family's circumstances have worsened, or community resources are available free of charge to meet the child's needs.

Our recommendations and the Department's responses can be found in the Recommendation Locator.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	22	Implement processes to collect, evaluate, and report data on dissolutions and out-of-home placements of adopted children.	Division of Child Welfare Services	Agree	December 15, 2003
2	29	Explore and promote ways to expedite the adoption process, including the use of concurrent planning and foster-adoption programs.	Division of Child Welfare Services	Agree	July 1, 2003
3	33	Encourage counties to expand their post-adoption services and supports.	Division of Child Welfare Services	Agree	July 1, 2003
4	35	Assist counties in the proper assessment of children's needs.	Division of Child Welfare Services	Agree	July 1, 2003
5	39	Ensure that claims for reimbursements of nonrecurring adoption costs are submitted to the federal government each quarter by modifying the reporting and accounting systems to capture nonrecurring adoption costs.	Division of Child Welfare Services	Agree	July 1, 2003
6	41	Ensure the State is in compliance with federal and state requirements regarding subsidy payments after children reach the age of 18.	Division of Child Welfare Services	Agree	September 1, 2002
7	44	Improve how counties handle adoption subsidies when children are temporarily placed out of their adoptive homes.	Division of Child Welfare Services	Agree	July 1, 2003

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
8	46	Work with the federal liaison to reinstate subsidized adoption cases that have been removed from the federal Title IV-E program due to technical problems with properly establishing the initial subsidy agreement.	Division of Child Welfare Services	Agree	December 1, 2002
9	47	Ensure that counties are aware of and in compliance with requirements to establish and sign adoption subsidy agreements in a timely manner.	Division of Child Welfare Services	Agree	July 1, 2003
10	52	Establish procedures to collect and review rate information on an annual basis to determine how rates set by all counties affect the Subsidized Adoption Program.	Division of Child Welfare Services	Partially Agree	December 1, 2003
11	54	Ensure counties comply with the program requirement that adoption subsidy rates do not exceed foster maintenance rates and do not include respite care allowances.	Division of Child Welfare Services	Agree	July 1, 2003
12	58	Provide more oversight and assistance to counties on how they should consider family circumstances when negotiating adoption subsidies.	Division of Child Welfare Services	Agree	July 1, 2003
13	60	Provide more direction to counties on how to negotiate the lowest adoption subsidy needed for families to meet the special needs of their adopted children.	Division of Child Welfare Services	Agree	July 1, 2003

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
14	62	Ensure that counties make changes to the subsidy amounts based on the child's needs, the family's circumstances, and the availability of free community resources.	Division of Child Welfare Services	Agree	July 1, 2003

Overview of the Subsidized Adoption Program

In Colorado, children can be adopted through private organizations or through county departments of human services/social services. Children available for adoption through county departments typically enter the State's child welfare system as a result of abuse and neglect and cannot be returned to their parents. Finding adoptive homes for these children, many of whom have serious physical, mental, and emotional disabilities, can be difficult, in part, because of the financial burdens imposed by their special needs. Colorado's Subsidized Adoption Program (the Program) plays a key role in placing these special needs children into permanent adoptive homes. The Program helps reduce financial barriers to adoption by providing assistance such as regular monthly adoption subsidies paid to the families and Medicaid coverage for the child. Additionally, the State and counties may pay for certain types of services not covered by Medicaid or the monthly subsidies, such as therapy and respite care. In Fiscal Year 2000, adoption subsidies were provided to families in 97 percent of the cases where adoptions were finalized. The Program benefits not only the special needs children who are placed in permanent homes but also the State by reducing the high costs of foster care for these children.

Organization of Colorado's Subsidized Adoption Program

In Colorado, the Subsidized Adoption Program is overseen by the Department of Human Services' Division of Child Welfare Services (the Division) and administered at the local level by county departments of social services. The Division is responsible for providing guidance and technical assistance to counties and ensuring compliance with program requirements. In addition, the State Board of Human Services promulgates rules and regulations for the Subsidized Adoption Program. County departments provide direct services to families participating in the Program, including determining program eligibility, negotiating adoption subsidies, establishing subsidy agreements, making subsidy payments to families, and conducting annual redeterminations.

Colorado's Subsidized Adoption Program consists of both a state/county program and a federal Title IV-E adoption assistance program. The state/county program was created by the General Assembly during the 1973 Legislative Session. According to Section 26-7-

103, C.R.S., adoption subsidies may be paid to the families only if all of the following conditions are present at the time the child is placed for adoption:

- The child is in the custody of the Department or a licensed nonprofit child placement agency and is legally available for adoption. Children in the custody of a licensed nonprofit child placement agency must meet federal requirements for eligibility under Title IV-E of the federal Social Security Act.
- All reasonable efforts to place the child for adoption have been made without success prior to consideration of a subsidy.
- The child is one with special needs as determined by prognosis and diagnosis. Department rules and regulations define special needs as special, unusual or significant factors such as physical disabilities, mental retardation, emotional disturbances, hereditary factors, exposure to drugs or alcohol in utero, or other conditions that act as serious barriers to adoption including age or membership in a sibling group.
- The Department or licensed nonprofit child placement agency has determined that the adoptive family has the capability of providing for the nonfinancial needs of the child in all areas.
- The Department or licensed nonprofit child placement agency is financially responsible for the care of the child.

The federal Title IV-E adoption assistance program was created by Congress with the passage of the Adoption Assistance and Child Welfare Act of 1980. Congress was primarily concerned with moving children in state foster care systems into permanent adoptive homes when appropriate. This program was developed to provide ongoing financial and medical assistance to families adopting these children. In addition to the eligibility criteria set in state statute, a child must be defined as having special needs and meet one of the following four conditions to be eligible for the federal program:

- Be AFDC-eligible.
- Be eligible for Supplemental Security Income (SSI) benefits.
- Be a child of a minor parent in foster care.
- Be eligible due to prior Title IV-E adoption assistance eligibility.

In Fiscal Year 2000 more than 80 percent of the children in Colorado's Subsidized Adoption Program were enrolled in the federal Title IV-E program.

Program Funding

Colorado's Subsidized Adoption Program is funded with federal, state, and county monies. The General Assembly appropriates funding for the Program through the Child Welfare Block Grant (the block grant). The block grant consists of funding for various types of out-of-home placements as well as the Subsidized Adoption Program. State statutes require the Child Welfare Allocation Committee (the Committee) to determine how the block grant funds should be allocated to counties. The Committee has created an allocation formula that is based upon certain factors, such as child welfare and out-of-home placement caseloads and costs. State statutes give counties flexibility in spending their child welfare funds.

Monthly subsidy expenditures have increased nearly 600 percent over the past ten years, from \$3.2 million in State Fiscal Year 1992 to \$26.5 million in State Fiscal Year 2001. We were unable to obtain accurate figures for case services and nonrecurring adoption costs because the Division combines these costs for subsidized adoption with those for foster care. We also tried to obtain Medicaid expenditures for children participating in the Program, but the Department of Health Care Policy and Financing's automated system does not track Medicaid expenditures for subsidized adoption cases in an aggregate form. This information is only available on a case-by-case basis. The Division of Child Welfare's automated database, TRAILS, is intended to have the capability of tracking case services and nonrecurring adoption costs in the future.

For monthly adoption subsidies under the federal Title IV-E adoption assistance program, the State contributes 30 percent of the funding, the counties 20 percent, and the federal government a 50 percent match. For subsidies that are not eligible for Title IV-E reimbursement, the State contributes 80 percent and the counties 20 percent of the funding.

As the table below shows, the number of children served, the total expenditures for monthly adoption subsidies, and the average monthly payments increased significantly between State Fiscal Years 1992 and 2000.

Adoption Subsidy Payments State Fiscal Years 1992 to 2000			
Fiscal Year	Number of Children Served (FPE ¹)	Monthly Maintenance Subsidy Expenditures	Average Monthly Payments ²
1992	930	\$3,200,280	\$287
1993	1,018	\$3,587,715	\$294
1994	1,297	\$4,237,800	\$272
1995	1,451	\$5,493,400	\$316
1996	1,782	\$7,050,054	\$330
1997	2,209	\$9,372,179	\$354
1998	2,631	\$11,842,813	\$375
1999	3,204	\$16,276,509	\$423
2000	3,909	\$21,535,566	\$459
2001	N/A ³	\$26,545,767	N/A
Percent Increase From 1992 To 2000	320.3%	572.9%	59.9%
<p>Source: Office of the State Auditor's analysis of the Colorado Department of Human Services' Fiscal Year 2001 and 2002 budget requests and expenditure data provided by the Division of Child Welfare Services.</p> <p>¹ The full participant equivalent (FPE) represents the average number of children served for an entire year. The total number of children served is larger than the FPE because some children included in the total may have been in the Program for less than 12 months.</p> <p>² Average monthly payments are calculated by dividing the Monthly Maintenance Subsidy Expenditures by the FPE and dividing the result by 12.</p> <p>³ The Division was unable to provide the FPE or the number of children served in 2001 due to problems with its new automated case management system, TRAILS.</p>			

Adoption subsidies are prohibited by federal and state law from exceeding foster care rates. For Fiscal Year 2000 the average monthly foster care rate was \$1,075. This includes family foster care, relative foster care, group homes, receiving homes, and shelter care.

Audit Scope

This audit addressed all aspects of the Subsidized Adoption Program including:

- The overall effectiveness of the Program.
- The timeliness of the adoption process.
- The appropriate payment of adoption subsidies.
- The impact of varying subsidy rates on the Program.
- The negotiation of adoption subsidy types and amounts.

As part of our audit, we visited seven counties and interviewed various state and county staff involved in the adoption programs. We also reviewed a sample of 168 subsidy files. Our sample consisted of 89 cases in which adoptions were finalized between Calendar Years 1998 and 2000 and 79 cases in which subsidies were discontinued in Calendar Years 1999 and 2000. We also contacted an additional 13 counties to obtain information on recruitment of adoptive families, rate-setting policies, and negotiation and payment of adoption subsidies.

Program Effectiveness

Chapter 1

Background

Both state and federal laws and policies emphasize the importance of successfully placing children in permanent adoptive homes. For example, Section 19-5-100.2(1), C.R.S., states:

Adoption offers significant psychological, legal, economic, and social benefits not only for children who might otherwise be homeless but also for parents who are unable to care for their children and for adoptive parents who desire children to nurture, care for, and support. Conversely, the general assembly recognizes that disrupted adoptive placements often have a profound and negative impact on individuals.

Section 24-60-2401, C.R.S., further states that "it is desirable to find adoptive parents for children with special needs, to make payments in subsidization of adoption of such children, and to protect the interests of such children through their minority." Additionally, federal policy states that the Program "is intended to encourage an action that will be a lifelong social benefit to certain children and not to meet the short-term monetary needs during a crisis."

Thus, the Subsidized Adoption Program is intended to reduce financial barriers so that children with special needs can be placed in permanent adoptive homes. According to Department rules and regulations, special needs include a physical disability, mental retardation, emotional disturbance, hereditary factors, exposure to drugs or alcohol in utero, or other conditions that act as serious barriers to adoption including age or membership in a sibling group. In Fiscal Year 2000, nearly 97 percent of the children adopted through county departments of social services received some type of adoption assistance.

As the following table shows, the number of finalized adoptions and children served in the Program has increased significantly over a five-year period.

Changes in the Subsidized Adoption Program From Fiscal Year 1996 To Fiscal Year 2000		
State Fiscal Year	Number of Finalized Adoptions	Cumulative Number of Children Receiving Adoption Subsidies
1996	454	2,840
1997	571	3,292
1998	561	3,827
1999	717	4,611
2000	781	5,309
Percent Change From 1996 To 2000	72.0%	86.9%
Source: Information provided by the Division of Child Welfare Services.		

The proportion of children adopted as a percentage of children awaiting adoption has also slightly increased in recent years from 39 percent in Federal Fiscal Year 1998 to 42 percent in Federal Fiscal Year 1999. Nationally, the percentage of children adopted was 36 percent in Federal Fiscal Year 1999.

Collect and Evaluate Dissolution and Out-of-Home Placement Data

The primary goal of the Subsidized Adoption Program is to find permanent adoptive homes for special needs children in the State's custody. Ideally, once a child is placed, the adoptive situation will not be interrupted by an out-of-home placement or a dissolution of the adoption. However, out-of-home placements and adoption dissolutions do occur. Because these children have special needs, which may include severe mental, physical, or emotional disabilities, out-of-home placements are not uncommon and program staff expect some such placements to occur. Out-of-home placements typically involve the short-term placement of a child in a foster home or treatment center and often occur because the child's behavior is beyond the control of the adoptive parents. However, out-of-home placements may also occur for other reasons, such as abuse or neglect of the child. Once the problem that caused the out-of-home placement is resolved, the child is often returned to the adoptive home. A dissolution may be the long-term outcome when

problems in the adoptive home cannot be resolved. Dissolutions occur when the adoption fails after finalization and the parental rights of the adoptive parents are terminated or relinquished. When a dissolution occurs, the child returns to the foster care system and may eventually be adopted by another family.

Currently the Division does not require counties to collect, evaluate, or report the number of and reasons for dissolutions and out-of-home placements. However, information on the causes of such placements and dissolutions can provide insight on weaknesses in program operations. These issues are discussed in greater detail in the following sections.

Dissolution Information Is Lacking

Although the Division of Child Welfare Services knows the number of adoptions that are finalized each year, it does not know how many of those adoptions end in dissolution. We found that counties generally know when adoptions dissolve because adoption subsidies are stopped when parents are no longer legally responsible for their adopted children. However, counties do not typically compile or report the information to the Division. Only one county we contacted has established procedures for intake and adoption staff to identify and internally report dissolutions occurring within the county. As part of its data collection, this large county identified four adoption dissolutions in 1999 and 2000.

Having information on the number of adoptions that do not turn out to be permanent is important for two reasons. First, because permanent placement of these special needs children is the ultimate goal of the Program, the number of dissolutions is an important indicator of the Program's overall effectiveness. Second, knowing why dissolutions occur can be valuable in improving program operations. For example, if dissolutions typically result from abuse or neglect of the child, this may indicate the processes used to select prospective adoptive families are not working as well as they should.

We used information collected through case file reviews of 168 cases to determine if subsidized adoption placements are resulting in permanent homes for children with special needs. As part of our review, we identified six cases where the adoptions dissolved. All of these cases were located in one county and represent about 10 percent of the 62 cases we reviewed for this large county. In four cases, the children were removed from the home due to physical or sexual abuse or neglect, and the adoptions eventually dissolved. In the remaining two cases, the parents relinquished the children for reasons other than abuse or neglect. Because of our small sample size, we do not know if this percentage is representative of all subsidized adoptions.

According to the Child Welfare Practices Handbook, a variety of factors may contribute to the dissolution of an adoption, including:

- The adoptive child's age.
- The number of previous placements.
- The length of stay in the foster care system.
- Lack of preparation of the adoptive family or child.
- Previously unknown or undetected problems identified during the introduction of the child to the family.
- A mismatched child and family.
- Families "stretched too thin," without adequate education and training or support networks.

Some of these factors, such as the age of the child, are not within the control of the Division and county staff. However, other factors, such as how the child and family are matched and the services and supports provided to families after adoptions are finalized, are within the control of the counties and the Division and can influence whether an adoptive placement will be successful. Because the efforts of the Division and counties can impact the success of an adoption, it is important for them to have and use information on those adoptions that do not succeed. This type of information can help improve the Program. For instance, evaluating the reasons adoptions dissolve will help the Division and counties:

- Identify and address weaknesses in the processes used to screen and select adoptive parents.
- Determine what types of preservation services could be provided to families before and after the finalization of adoption.
- Develop methods to fully prepare both the families and the children for their new family situations.

The Division should require the counties to collect and report dissolution data on a regular basis. In addition, the Division should request information from the Judicial Department to help identify dissolutions. The Judicial Department maintains a database of all relinquishment and termination of parental rights hearings in Colorado. The Division could obtain information on such hearings on a periodic basis and compare it with subsidized adoption cases to help ensure that all relinquishments and terminations of parental rights related to subsidized adoptions are identified. The Division should also evaluate information on dissolutions routinely and work with the counties to identify trends and develop processes that could prevent dissolutions in the future. For example, for dissolutions that occurred because the child's behavior was beyond the control of the

parents, the Division and county should evaluate what services and supports were provided to the family and whether additional interventions could have been offered to prevent the dissolution.

Out-of-Home Placement Data Should Be Analyzed

As with dissolutions, the Program may be able to impact the number of out-of-home placements through careful screening and matching and by offering post-adoption services to families. However, information on out-of-home placements for the subsidized adoption population is not analyzed by the Division or counties on an ongoing basis. The Division was unable to identify the number of out-of-home placements occurring in the Subsidized Adoption Program between 1998 and 2000.

As part of our review of subsidy files, we collected information on out-of-home placements and identified 18 cases in our sample of 168 cases (11 percent) in which children were placed out of the adoptive home. Specifically:

- In six cases, there were allegations of physical or sexual abuse of the child. Abuse was founded in three of these cases and the children were permanently removed from the adoptive home. In two cases, the children were returned to the adoptive home. In one case, the child was placed in a Residential Treatment Center but remained in contact with the adoptive family.
- In three cases, the county departments had received information that the adoptive parents were neglecting the child. Two of the cases were founded and the children were permanently removed from the adoptive home. The outcome of the third case is pending.
- In the nine remaining cases, the child was placed out of the adoptive home to address the child's behavior. In two of these cases, the child eventually returned home. In another two cases, the children remained in out-of-home placements, but the parents were still involved with their adopted children. In one case, the parents relinquished their parental rights. In two cases, the children turned age 18, making them ineligible for the Program. For the final two cases, we were unable to obtain information on whether the children returned to their adoptive families' homes.

These cases involving out-of-home placements raise concerns about the screening and selection process for prospective adoptive families. By tracking and evaluating this type

of information, the Division and counties can isolate specific problem areas and develop processes to reduce this figure. Out-of-home placement data are also useful in determining the types of services and supports that are needed to help a family through a crisis. For example, if information on out-of-home placements indicated that a significant number of such placements were due to severe problems with the child's behavior, the Division and the counties could evaluate the services and supports being provided to families to address this issue and identify the need for changes or improvements in the services.

Out-of-home placement data could be tracked through the Division's automated database, TRAILS. Whenever a child reenters the State's Child Welfare System, a record is established in TRAILS describing the reason for reentry and the type of out-of-home placement, to be used. Counties should collect data on out-of-home placements for their subsidized adoption cases on a quarterly basis and report this information to the Division. Together, the Division and the counties should follow up on all cases where a child is placed out of the adoptive home and evaluate whether changes to the Program are needed to help reduce such placements in the future.

Division staff stated that they plan to track dissolutions beginning in 2004 as part of their implementation of the federal Intercountry Adoption Act of 2000, which requires states to track dissolutions of children adopted from other countries. We believe the Division should expedite this initiative and take a proactive approach to tracking dissolutions and out-of-home placements related to the Subsidized Adoption Program by:

- **Developing a reporting format and mechanism for counties to use.** This may involve establishing fields within the Division's automated case management system, TRAILS, for counties to enter information on dissolutions and out-of-home placements.
- **Evaluating and reporting program outcomes.** The Division should, at a minimum, annually evaluate the number of and reasons for dissolutions and out-of-home placements. The Division should share this information with all counties to identify better ways to screen and select adoptive parents and to provide services designed to preserve adoptive placements.
- **Monitoring the data collected and reported by counties.** As part of its annual monitoring reviews, the Division should review counties' processes for collecting and reporting dissolutions and out-of-home placements to ensure that data collected are accurate and complete.

Recommendation No. 1:

The Division of Child Welfare Services should implement processes to collect, evaluate, and report data on dissolutions of adoptions and out-of-home placements of adopted children. This should include:

- a. Developing a mechanism for counties to report adoption dissolution and out-of-home placement information and providing training and technical assistance to all counties on the reporting mechanism.
- b. Periodically obtaining information from the Judicial Department on relinquishment and termination of parental rights hearings and matching the information with subsidized adoption cases to ensure all dissolved adoptions are identified.
- c. Monitoring the methods used by counties to collect and report outcome data to the Division.
- d. Evaluating data on dissolutions and out-of-home placements and working with counties to make program improvements based on the data evaluation.

Division of Child Welfare Services Response:

Agree. The Department will monitor, provide training and technical assistance and evaluate county departments' use of automated reports of dissolutions. The Department will work with State Judicial on the collection of relinquishment and termination data. The Division will develop a report that will identify children with a finalized adoption who have a dissolution and reenter out of home care. The new Child Welfare Automated System, Colorado, TRAILS, currently contains the necessary fields to develop this report. The report will be produced periodically as defined by the Division of Child Welfare. Until the report can be developed, the Division will periodically survey the county departments to obtain this information. Additionally, upon receipt of the information from State Judicial the Department will annually match the information with subsidized adoption cases to ensure all dissolved adoptions are identified.

More Emphasis Is Needed on Expediting the Adoption Process in Colorado

As discussed earlier, the proportion of children adopted as a percentage of children awaiting adoption was only at 42 percent in 1999 (713 children adopted out of 1,682 awaiting adoption). This indicates that more than half of the children in the State's custody that were legally available for adoption had not been adopted at that time. Placing children into permanent adoptive homes in a timely fashion reduces the likelihood of multiple foster placements and reduces the State's foster care costs. We found that Colorado ranks in the middle of all states in the average amount of time elapsed between the termination of parental rights and the finalization of adoption. As the following chart shows, in Federal Fiscal Year 1999 Colorado reported that it took an average of 15.34 months from the termination of parental rights to the finalization of the adoption. This is an increase from Federal Fiscal Year 1998, in which the average was 13.87 months. The federal standard for the amount of time elapsed between the termination of parental rights and the finalization of the adoption is 24 months.

Average Number of Months Between Termination of Parental Rights and Finalization of Adoption for Children in the Custody of the State <i>Federal Fiscal Year 1999</i>					
Rank	State	Average No. of Months	Rank	State	Average No. of Months
1	Wyoming	5.74	27	Maryland	15.96
2	Idaho	8.00	28	Massachusetts	16.00
3	Utah	8.96	29	Connecticut	16.01
4	Wisconsin	9.17	30	Washington	16.04
5	Rhode Island	9.44	31	Michigan	16.19
6	Delaware	9.98	32	Oregon	16.68
7	North Dakota	10.84	33	Nebraska	16.78
8	Illinois	11.38	34	Arizona	16.92
9	Arkansas	11.87	35	South Dakota	17.03
10	Pennsylvania	12.09	36	Florida	17.22
11	Alaska	12.21	37	Vermont	17.56
12	Hawaii	12.47	38	Kansas	17.64
13	Ohio	12.80	39	Louisiana	18.36
14	District of Columbia	12.87	40	Virginia	18.62
15	Missouri	13.10	41	Montana	18.74
16	New Jersey	13.16	42	Oklahoma	19.21
17	South Carolina	13.63	43	Alabama	19.65
18	New Hampshire	13.87	44	Nevada	19.86
19	California	13.91	45	Georgia	20.05
20	Indiana	14.25	46	Tennessee	20.63
21	North Carolina	14.43	47	West Virginia	21.85
22	Iowa	15.04	48	Kentucky	22.04
23	Texas	15.09	49	Minnesota	23.71
24	Mississippi	15.25	50	Maine	23.93
25	Colorado	15.34	51	New York	26.34
26	New Mexico	15.86			

Source: Office of the State Auditor's analysis of information reported in the U.S. Department of Health and Human Services' Adoption and Foster Care Analysis and Reporting System (AFCARS).

Note: Children in the custody of the state generally have special needs and are likely to be eligible for the Subsidized Adoption Program.

A number of factors may influence the amount of time required to finalize adoptions after the parental rights have been terminated. Some of these factors are not within the control of the Division and counties. For instance, the judicial process can be time-consuming, particularly if appeals on termination of parental rights rulings are filed. If a parent appeals a judge's decision to terminate his or her parent's rights, the child is not legally available for adoption until the appeal is resolved. This will prolong the process. However, the Division and counties can influence, to a certain extent, other factors affecting the length of the process. These include:

- **The amount of time it takes counties to find prospective adoptive parents.** Because not all families are prepared to adopt special needs children, counties sometimes encounter difficulties with finding parents to adopt children with multiple needs.
- **The amount of time it takes to transition a child into an adoptive home.** Counties and courts do not want to finalize adoptions until there is some assurance that the placement will be successful. To allow time for relationships to develop between the children and the prospective adoptive family, state statute requires in most cases that children be placed in a potential adoptive home for at least six months before the hearing on the petition to adopt. The petition must be filed and heard before the adoption can be finalized. The court has some discretion with this requirement if it finds good cause to extend or shorten the amount of time the child is placed in an adoptive home before finalization.

The Division does not track the amount of time it takes for counties to finalize adoptions. However, such information would be helpful to the Division, to counties, and to lawmakers in identifying the issues that affect the amount of time to finalize adoptions and in determining how to expedite the process.

Recent legislative initiatives passed at the federal and state levels have emphasized the need to expedite the adoption process. For example, the federal Adoptions and Safe Families Act (ASFA) of 1997 was enacted in part to expedite the process of finding permanent homes for children awaiting adoption. States are required to file a petition to terminate the parental rights of a child's parents if that child has been in foster care for 15 of the most recent 22 months. In addition, the Expedited Permanency Planning Program, created in 1994 by the Colorado Legislature, requires expedited court hearings for children under the age of six (and their siblings, as the court deems appropriate) who are removed from their homes. County departments are required to place the child in a permanent home within one year of the original removal. The legislation requires statewide implementation before

2004. All counties have implemented or are in the process of implementing Expedited Permanency Planning programs.

Foster-Adoption Programs Help Expedite the Adoption Process

Counties can use a number of approaches to expedite the adoption process. One of the most effective approaches we observed is the use of concurrent planning and foster-adoption programs. Concurrent planning addresses children's need for a permanent home by developing an alternative plan while, at the same time, working toward reuniting children with their families. Concurrent planning is used when the likelihood of reunification is uncertain. A concurrent plan has one goal— permanency—and multiple paths to permanency, which may include reunification, guardianship, or adoption. We found that some counties have expanded their use of concurrent planning by developing and using foster-adoption programs. With these programs, counties place children who are not yet legally available for adoption with foster parents who are willing to adopt the children if and when they become available for adoption.

Children can be placed in a prospective adoptive family's home before the parental rights have been terminated or relinquished. However, termination or relinquishment of parental rights must occur before the petition to adopt is filed with and heard by the court. The adoption can only be finalized after a hearing on the petition to adopt has been held. If children can initially be placed with families that will eventually adopt them, the six-month requirement is met more quickly and the county and the courts can move forward to finalize the adoption. Other advantages to using foster-adoption programs include:

- **Allowing ample time for the child to bond with the family.** Division and county staff stated that it takes some children, particularly older ones, a longer period of time to transition into the adoptive home. If a county can place a child with a prospective adoptive family as soon as it is apparent that the parental rights will be terminated or relinquished, it is more likely that the child and adoptive family will be ready to begin the adoption process when the child becomes legally available for adoption.
- **Allowing time to identify and address problems.** Some prospective adoptive families lack experience in parenting special needs children. Foster-adoption programs can provide additional time for counties to effectively address these parenting needs and other problems that may arise before the adoption is finalized.

- **Reducing the number of placements for the child.** By placing a child with a foster family that intends to eventually adopt the child, counties may avoid having to place the child in another home.

Although many factors can affect the length of the adoption process, including actions taken by the courts, we found that counties that develop and use foster-adoption programs tend to shorten the adoption process. When we compared the time it took the two largest counties in the State to finalize adoptions in the sample of cases we reviewed, we found the county using a foster-adoption program (County A) was able to complete the overall process much more quickly than the county without such a comprehensive program (County B). The table below shows the amount of time that passed between the termination of parental rights and the finalization of adoption for children in our samples for these two counties.

Breakdown of Time From Termination of Parental Rights To Finalization of Adoption for Cases in Our Sample						
County	Total No. of Cases in Sample	6 Months or Less	6+ Months to 12 Months	12+ Months to 18 Months	18+ Months to 24 Months	More Than 24 Months
County A	26	58%	12%	4%	12%	15%
County B	30	0%	17%	27%	13%	43%

Source: Office of the State Auditor's analysis of information obtained from 56 subsidy files in which adoptions were finalized between 1998 and 2000.

County A has implemented a foster-adoption program recruiting prospective adoptive families who are willing to adopt children not yet legally available for adoption. These families are usually licensed as foster homes when the child is first placed with them. If the child becomes legally free, the family is then able to adopt the child. This approach is used for all children under the age of six and on a case-by-case basis for older children, who are generally more difficult to place.

In contrast, County B does not have a comprehensive foster-adoption program due to problems with coordination between its child protection and adoption units. According to county staff, some child protection caseworkers do not inform the adoption units early in the process that a child's permanency plan may be adoption. Without this early notification, it is difficult for adoption staff to implement concurrent planning and identify a foster-adoption home for the child.

Although Colorado is finalizing adoptions at a quicker rate than the federal standard of 24 months, we encourage the Division to expand its efforts to further reduce the time needed for the overall adoption process by:

- Identifying best practices used by counties and sharing this information with all counties through written correspondences, training sessions, and on-site technical assistance.
- Obtaining information on how other states are able to finalize adoptions quickly and considering whether any of the practices in these states could be beneficial in Colorado.
- Exploring the option of providing incentives to counties that develop good practices in these areas. The Division could set aside a portion of future federal adoptive incentive grants awarded to the State for this purpose. Federal incentive grants are awarded to states that increase the number of finalized adoptions from year to year. Colorado received such grants in two of the past three years.
- Evaluating the flexibility provided within the current statutory language regarding a six-month trial period between placement of the child and the hearing on the petition to adopt. If the statutes do not provide sufficient flexibility to reduce this trial period when appropriate, the Division should seek statutory change to modify the language so that the adoption process can be expedited whenever possible.

Recommendation No. 2:

The Division of Child Welfare Services should explore and promote ways to expedite the adoption process, including the use of concurrent planning and foster-adoption programs. To accomplish this, the Division should:

- a. Collect, evaluate, and report data on the amount of time it takes counties throughout the State to complete the adoption process.
- b. Identify and share the effective practices used by counties and other states to expedite the adoption process and ensure successful adoptive placements.
- c. Provide ongoing training and technical assistance to counties on effective methods for expediting the adoption process.

- d. Explore ways to provide incentives to counties that consistently and effectively use these practices.
- e. Determine whether counties have sufficient flexibility and authority under the current law to reduce the six-month trial period on a case-by-case basis. If this flexibility and authority exists, the Division should assist counties in shortening this trial period on a case-by-case basis. If there is insufficient flexibility, the Division should recommend statutory changes to modify the language and allow the adoption process to be expedited.

Division of Child Welfare Services Response:

Agree. The Department will enhance its sharing of information with county departments in order to address state of the art practice, and the importance of using data to document success.

- a. The Department will develop a report which breaks data by length of time it takes from termination to finalization of adoption by county on those counties which have the largest numbers of adoptions.
- b. The Adoptions Supervisors monthly meeting will focus a regular time to discuss effective practice.
- c. Technical assistance and ongoing training will be offered through the Adoption Supervisors Group and video conference training.
- d. A percentage of incentive dollars received in the future will be budgeted toward rewarding counties that are using effective practices.
- e. The Department will review the current law to assess for flexibility in reducing the six-month trial period and discuss with county departments best practice issues related to shortening the trial period on a case-by-case basis.

Post-Adoption Services Are Important in Keeping Adoptive Families Intact

As we discussed earlier, the Division and counties do not know the total number of adoptions that have resulted in dissolutions or experienced out-of-home placements.

However, research studies indicate that providing post-adoption services to families can be effective in preserving adoptive placements. For instance, Illinois law requires that post-adoption services, such as crisis intervention, comprehensive assessments, and resource referrals, be included in the state's family preservation program. A four-year study of the Illinois program found that 82 percent of the children in struggling adoptive families were able to remain with their adoptive families after services were provided.

Colorado currently provides limited post-adoption services and supports to families in the Subsidized Adoption Program. Post-adoption services and supports may include outpatient psychotherapy, treatment away from the home, respite care, educational services, and support groups. Most counties provide some services on a case-by-case basis. For instance, when a crisis arises, counties will often provide case services such as respite care or psychological treatment not covered by Medicaid or other community resources, or core services such as home-based intervention, intensive family therapy, sexual abuse treatment, and substance abuse treatment. However, few counties offer a broad range of support services, such as education and support groups, to all adoptive families.

We identified three counties from our site visit sample that routinely provide additional post-adoption services to families. The approaches taken by these counties range from small-scale efforts to comprehensive programs. For example:

- **El Paso** is in the process of developing an Adoption Resource Team that will be responsible for implementing an educational and training program for adoptive families, developing a respite program that trains respite providers who are capable of caring for special needs children, and providing support groups to prevent dissolutions. El Paso plans to gradually implement this program.
- **Mesa's** ongoing post-adoption services include a quarterly newsletter sent to adoptive families, special training sessions offered to families, and mentoring opportunities between families wishing to adopt and families that have adopted children through the county.
- **Mesa and Garfield** have created a handbook listing the various community resources available to adoptive families in their counties.

In addition, many counties, including Denver, have partnered with Preserving Safe and Stable Families' sites to offer support groups to families that have adopted or are waiting to adopt special needs children. Local communities throughout the State participate in Preserving Safe and Stable Families projects. These projects provide a number of services, including referrals and resources for respite care services, crisis intervention, and domestic

abuse. In Denver County, resources to continue these partnerships in the future are uncertain, but the Preserving Safe and Stable Families sites are setting aside some of their funding to continue these support groups.

Comprehensive post-adoption services and supports can be valuable components for preserving adoptive placements and reducing the risk of dissolutions. These services are particularly necessary when families encounter problems with their adoptive children's behaviors. According to Division and county staff, behavioral problems often do not surface until after the adoption is finalized, and if they are not addressed, they can result in adoption dissolutions. Some counties reported that families do not always ask for support services until family problems are out of control, sometimes past the point of repair. If counties offered post-adoption services and supports on a broader, ongoing basis, they might be able to intervene before the problems become major crises, ultimately reducing the incidence of dissolutions.

Several states have developed extensive post-adoption preservation programs to benefit families who have adopted children within their states. As mentioned earlier, Illinois statutes require that post-adoption services be offered to families. In addition, the Ohio Post-Adoption Special Service Subsidy (PASS) Program is a state-funded county-administered program that provides services including family preservation, medical assistance, counseling, and respite care to adoptive families. Services can be used to address preexisting conditions or conditions that develop related to the adoption process itself. These states may serve as models for Colorado to expand the services that are made available to all families involved in the Subsidized Adoption Program.

The Division Should Assist Counties in Finding Funding for Post-Adoption Services

According to the Division and counties, funding to support post-adoption services programs is lacking. However, we identified two potential funding sources that the Division and counties may be able to access. First, the Division and counties could use a portion of the State's Title IV-B funds for post-adoption services and supports. Title IV-B funds are to be used to encourage and enable states to establish, expand, and operate a program of family preservation services, community-based family support services, time-limited family reunification services, and adoption promotion and support services. Specifically, these funds are allowable for services including:

- Preventing, solving, or assisting in the remediation of, problems that may result in the neglect or abuse of children.

- Preventing unnecessary separation of children from their families by identifying family problems, assisting families in resolving their problems, and preventing breakup of the family where the prevention of child removal is desirable and possible.

In Fiscal Year 2001 the General Assembly allocated \$2.5 million of Title IV-B funds to the Division, which distributes these monies to counties that submit an approved plan for spending the funds. The Division should encourage counties to use some of their Title IV-B funding to offer more comprehensive post-adoption services and supports.

Second, the Division could set aside a portion of future adoption incentive funds to develop comprehensive post-adoption services programs in the State. In recent years the Division has received federal incentive grants for increasing the number of finalized adoptions from year to year. In the past these federal funds were used for purposes such as recruitment and support of adoptive placements. A portion of any future awards could be used to expand post-adoption services programs throughout the State.

Recommendation No. 3:

The Division of Child Welfare Services should encourage counties to expand their post-adoption services and supports by:

- a. Providing technical assistance and training to counties on how to effectively develop and implement post-adoption services programs. The Division should identify counties that have developed strong post-adoption services programs and should share these practices with other counties throughout the State.
- b. Identifying and pursuing funding sources that can be used to provide comprehensive post-adoption services and supports.
- c. Considering earmarking some portion of future incentive grants to expand post-adoption services.

Division of Child Welfare Services Response:

Agree. The Department will strengthen post-legal adoption services and supports through its work with stakeholders to identify a menu of services that can be contracted for by the County Departments of Human/Social Services, the Colorado Adoptive Parent Coalition, the Adoption Exchange, Promoting Safe and Stable

Families sites and using the Title IV-B Part II funds to develop contracts to deliver a menu of services.

Ensure That Counties Use Appropriate Methods to Assess Children's Needs

Assessment tools can be helpful to counties in identifying how much assistance should be provided to a family to meet a child's special needs. We found that 13 counties in our sample (65 percent) use a formalized, written assessment tool to identify the needs of the child and determine the adoption subsidy amount. The remaining seven counties use a less formal approach for identifying the severity of the child's needs—they meet with the families and discuss the child's needs. Many of the assessment tools rate the severity of the child's needs on a level of care system by assigning numeric scores to various behavioral, medical, social, and educational factors. The more severe the child's needs, the higher the score assigned. The total score determines the level of care and/or maximum amount of the monthly subsidy that can be paid to the family. Twelve of the counties in our sample set their maximum adoption subsidy rates based upon this level of care system.

We identified two concerns with counties' processes for assessing the special needs of children in the Program. First, many counties do not weight the factors in their assessment tools, so factors of varying importance may be considered of equal value. Although we found some counties weight the factors they evaluate and assign higher point values to areas of greater concern, most counties do not follow this practice. For example, one assessment tool we reviewed contained a score for transportation and a score for behavior management. The transportation factor is intended to reflect the child's need to travel to various locations to receive services. The behavior management factor reflects the level of involvement by the adoptive parents in scheduling and monitoring time and activities to address the child's behavioral issues. The county considers behavior management issues to be more critical, and to have higher costs, than transportation. Therefore, the county weights the behavior management factor more heavily on its assessment form. Not all counties use this approach. Some appear to consider all factors to be of equal importance in determining the services that need to be provided to the child and the related subsidy amount.

Second, we found a lack of documentation to support some of the identified needs. Some types of disabilities need to be identified and documented by a medical or mental health professional, such as a physician or psychologist. We found some cases where counties

rated children's needs at higher levels of care based upon physical, mental, or emotional disabilities that were not documented in medical or psychological evaluations. Specifically, in our sample of 89 cases where adoptions were finalized between 1998 and 2000, we did not find documentation supporting diagnoses of physical, mental, or emotional disabilities for 24 cases (27 percent). The majority of these cases were located in one large county. The counties use these diagnoses to measure the severity of the child's needs. County staff confirmed that written evaluations of the children's disabilities were required to support the assessments in these cases. The counties did not know why the documentation for most of these cases was not present in the files we reviewed.

Properly assessing a child's special needs is important for two reasons. First, the needs must be accurately identified to help ensure that children receive the services they need. Second, an appropriate assessment of the needs impacts the amount of the adoption subsidy. Using methods that assess the child's needs at too low a level may result in the child not receiving appropriate services and in the family receiving a subsidy that does not adequately meet the child's needs. Conversely, rating children's needs too high may lead to the provision of unnecessary services and the payment of a subsidy that exceeds the needs of the family and the child.

We found that the Division has provided little direction to counties on how to assess children's needs. For instance, there is no guidance given in the Child Welfare Practices Handbook on how counties should assess the needs of children in the Program. Further, best practices used to assess children's needs are not shared with all counties. Although the Division currently holds monthly meetings for Subsidized Adoption supervisors, not all counties attend or receive information from these meetings. In addition, we found that the Division does not ensure that counties are properly assessing children's needs as part of its annual monitoring reviews.

Recommendation No. 4:

The Division of Child Welfare Services should assist counties in the proper assessment of children's needs by:

- a. Identifying and communicating best practices among counties, using communication methods that reach all counties.
- b. Providing ongoing training and technical assistance to counties on ways to use assessment tools and properly document the child's needs.

- c. Reviewing county procedures for assessing and documenting children's needs as part of its annual monitoring reviews.

Division of Child Welfare Services Response:

Agree.

- a. In addition to the monthly Adoption Supervisors meeting, the Division will use its Web site and video conferencing to provide best practice information to counties.
 - b. The Adoption Supervisors meeting will be used to highlight assessment of children's needs.
 - c. During the Division's monitoring reviews, there will be assessment conducted of the procedures the counties are using to assess and document children's needs.
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Adoption Subsidy Payments

Chapter 2

Background

In Colorado's Subsidized Adoption Program, adoptive families can access four different types of financial assistance, as described below.

Monthly subsidy payments. Most families receive monthly subsidies intended to partially cover the unmet needs of the adoptive child. There are three different types of monthly subsidies:

- *Long-term subsidies* are intended to meet the child's needs on an indefinite basis. This subsidy is offered when a family's financial situation precludes adoption and is not likely to change or when a child's needs take an excessive toll on the family's situation. Monthly subsidies may continue until the child's needs change or the family's circumstances improve.
- *Time-limited subsidies* are intended to meet the everyday needs of the child for a specified period. This subsidy covers start-up costs for those things that children placed in adoption do not always have, such as sufficient clothing.
- *Dormant subsidies* are established through a subsidy agreement but have a payment of \$0. This type of subsidy is often established for families that initially do not want or need a monthly subsidy. If the family's circumstances or child's needs change in the future, however, the monthly subsidy amount can be renegotiated through a time-limited or long-term subsidy.

Medicaid coverage. Children in the Subsidized Adoption Program are eligible for Medicaid, which will pay for services such as routine medical screening, prescription drugs, and mental health services.

Reimbursement of case services. Case services are a type of purchased program service that supports the case plan for children in subsidized adoption. Case services are provided to meet the child's needs not covered by monthly adoption subsidies or Medicaid. Case services include items such as special equipment, some types of psychological services, and respite care.

Reimbursement of nonrecurring adoption costs. Colorado pays a one-time maximum of \$800 per child for nonrecurring adoption costs. These consist of costs incurred up to the time the adoption is finalized and include expenses such as legal fees, screening expenses, and transportation costs.

Although counties have flexibility in spending their Child Welfare block grant funds and are responsible for setting the subsidy amounts for each subsidized adoption case, the Division is responsible for the overall administration of the Program statewide. In our audit we found that the Division could improve its financial oversight of the Program and could further direct and assist counties in determining subsidy amounts by providing additional written policies and guidelines to all counties.

Submit Federal Reimbursement Claims on a Timely Basis

Families adopting children with special needs are eligible for reimbursement of some or all of the costs associated with the adoption. These costs are referred to as "nonrecurring adoption costs" and consist of expenses such as legal and adoption fees. According to federal statutes and regulations, states must offer reimbursement of nonrecurring adoption costs to all families adopting children with special needs. These statutes and regulations require states to reimburse adoptive families up to a maximum of \$2,000 in nonrecurring adoption costs, but states are allowed to set a lower maximum limit. Colorado allows no more than \$800 to be reimbursed for nonrecurring adoption costs for each eligible child adopted. The federal government will reimburse states for 50 percent of these costs.

We found that the Department of Human Services has not been submitting claims to the federal government for reimbursement of nonrecurring adoption costs for the past several years. Department records indicate that the State spent over \$900,000 in nonrecurring adoption costs between July 1999 and June 2001. The State was eligible to be reimbursed for half of these costs, or more than \$450,000. The Department submits quarterly forms to the federal government to report the amount spent in the Subsidized Adoption Program and to request federal funds for the portion of those expenditures that are reimbursable. The quarterly reports submitted by the Department for the last two quarters of Calendar Year 1999 (July through December), all of Calendar Year 2000, and the first three quarters of Calendar Year 2001 (January through September) did not include the amounts spent by the Program on nonrecurring adoption costs. This is because counties do not distinguish between case services and nonrecurring adoption costs when they report their subsidized adoption costs to the Department. Because the funding sources for case services (80 percent state, 20 percent county funds) are different from

those for nonrecurring adoption costs (50 percent federal, 30 percent state, 20 percent county), accounting for and reporting of these costs should be separate.

According to federal regulations, claims for reimbursement can be submitted to the federal government up to two years after the costs are incurred. Subsequent to our discussion of this issue with the Division, the Department submitted a retroactive request in January 2002 for reimbursement of nonrecurring adoption costs incurred between October 1999 and June 2001. However, because the Department delayed its request for reimbursement until January 2002, it was not able to request the 50 percent match for nonrecurring adoption costs incurred from July through September 1999. The Division estimates the total of these costs for that quarter were about \$107,000, so the lost federal reimbursement was about \$53,500. It is important for the Division to track nonrecurring adoption costs on an ongoing basis so it can request all federal reimbursements for which it is eligible.

We estimate that the average annual subsidy paid for children in the Program is about \$5,500. If the Division had obtained the \$53,500 reimbursement to which it was entitled for nonrecurring adoption costs for the period July through September 1999, the Division would have freed up state funds that could have been used for other purposes.

Recommendation No. 5:

The Division of Child Welfare Services should ensure that claims for reimbursements of nonrecurring adoption costs are submitted to the federal government each quarter by modifying its reporting and accounting systems to capture nonrecurring adoption costs.

Division of Child Welfare Services Response:

Agree. The Department has prioritized corrections, improvements, and modifications in the TRAILS system, which will assure claims can be submitted to the federal government to capture nonrecurring adoption costs.

Discontinue Subsidy Payments In Accordance With Federal Law

According to federal statutes and Department rules and regulations, adoption subsidies must end when a child reaches 18 years of age. The exception to this requirement is if the child's special need includes a physical or mental disability that specifically warrants the continuation of the assistance, in which case the subsidy can continue until age 21. For example, from the subsidy files we reviewed, we found that a child with cerebral palsy or Down's syndrome would qualify for continuation of subsidy payments past age 18. If a child does not meet the exception criteria, the subsidies are to be discontinued the month following the child's 18th birthday.

We found that 17 of the 20 counties in our sample have a policy to continue adoption subsidies past the child's 18th birthday if the child is still in high school regardless of whether the child has physical or mental disabilities that warrant the continuation. Typically, counties extend payments until a child graduates because the child is still under the care of the parents and some of these children are educationally delayed and do not graduate at or near their 18th birthday. Division managers indicated that despite the current regulations, they have authorized counties to continue adoption subsidies until children graduate from high school using only state and county funds.

The Division Paid an Estimated \$466,000 in Unauthorized Subsidies Over the Past Six Years

From our review of subsidy files, we found that counties continuing adoption subsidies after children turned age 18 used federal Title IV-E funds to pay the subsidies. In our sample of 79 cases where the adoption subsidies ended in Calendar Years 1999 and 2000, we identified 24 cases (30 percent) where adoption subsidies were paid past the child's 18th birthday for reasons other than the child's having a mental or physical disability. Furthermore, for all of the Title IV-E cases discontinued between 1995 and 2000, we identified 219 cases (22 percent) that remained open past the child's 18th birthday. Accounting for cases that would be eligible for payments past age 18 due to mental or physical disabilities, we estimate that ineligible payments past a child's 18th birthday during this six-year period cost \$466,000. About \$233,000 of this amount is from federal Title IV-E funds.

According to the federal liaison for Colorado's Subsidized Adoption Program, if the State continues to pay subsidies using IV-E funds after a child's 18th birthday and the child does not have a physical or mental disability, the State is liable to the federal government for these funds. Therefore, the Division may be required to reimburse the federal government for the federal portion of the unallowed payments made over the past six years. The

Division should determine the amount of unallowed payments that were made to families and work with the federal government to determine the method and amount of repayment. Additionally, the Division should direct counties to comply with current requirements to stop all subsidy payments after the child's 18th birthday unless the child has a physical or mental disability that warrants extension.

Recommendation No. 6:

The Division of Child Welfare Services should ensure the State is in compliance with federal and state requirements regarding subsidy payments after children reach the age of 18 by:

- a. Developing and communicating written policies that are in compliance with federal and state requirements.
- b. Monitoring adoption subsidy payments on a regular basis.
- c. Working with the federal government to determine the method and amount of repayment for disallowed costs.

Division of Child Welfare Services Response:

Agree. The Department will monitor subsidy payments as part of its annual monitoring plan.

As part of the Division's meetings with the federal government, the Department will address written policy and disallowed costs and communicate this information to county departments.

Provide Guidance on the Payment of Subsidies When a Child Is Placed Out of the Adoptive Home

On occasion an adopted child may be placed out of the adoptive home for a period of time, either to receive treatment related to behavioral or mental health issues or to address

alleged abuse or neglect. We found that counties use a number of approaches for handling adoption subsidies when children are placed out of the adoptive home. This is because the Division has not provided clear direction to counties on managing subsidies when this situation occurs. Typically, counties continue the adoption subsidy during the period of the out-of-home placement. However, some counties suspend the payments if the placement is due to abuse or neglect. When counties continue the subsidy during an out-of-home placement, they may assess a fee to the adoptive family to help cover the out-of-home placement cost. We found the following procedures were in use in the seven counties we visited:

- One county always assesses fees for out-of-home placements when the adoption subsidies are continued.
- Two counties sometimes assess fees for out-of-home placements. In these counties the fee assessment practices varied from case to case.
- One county never assesses fees for out-of-home placements when subsidies are continued.
- One county, at the time of our site visit, did not have a policy for assessing fees for out-of-home placements for subsidy cases. This county is in the process of developing a policy because it recently experienced its first out-of-home placement for a subsidy case.
- Two counties discontinue all subsidy payments when children are placed out of the home. As a result, these counties do not need to assess fees.

Clarify Reimbursement for Children Placed Outside of the Adoptive Home

As discussed in Chapter 1, we identified 18 cases in our sample of 168 cases (11 percent) where children were placed out of the adoptive home. Nine cases involved the child's being placed out of the home due to behavioral issues and nine cases involved abuse or neglect situations. We found that counties handled subsidies for these cases as follows:

- Payments were continued in 13 cases (72 percent). In seven of these cases, fees were assessed for the out-of-home placements. In the remaining six cases, no fees were assessed.
- Payments were suspended in four cases (22 percent).

- Payments were initially suspended in one case (6 percent) but were later reinstated because of requirements stated in the Department's rules and regulations. No fees were assessed in this case.

We estimate counties spent more than \$21,000 in monthly adoption subsidies for the seven cases where adoption subsidies were continued and fees for the out-of-home placements were not assessed. When counties continue adoption subsidies for children in out-of-home placement without charging a fee for the placement, the government is essentially making double-payments for the care of the child during the out-of-home placement period. This is because children who are temporarily removed from their adoptive homes are typically placed in Residential Treatment Centers, Residential Child Care Facilities, or in foster homes, all of which are funded by federal, state, and county sources.

Department rules and regulations authorize counties to assess fees to families whose children are placed out of the home. These fees cannot exceed the monthly adoption subsidy payments to the family. The regulations do not stipulate a procedure for assessing fees. In addition, the Division does not examine financial records when conducting reviews of county subsidized adoption programs. As a result, the Division has not identified inconsistencies in the ways counties handle subsidies when adoptive children are placed out of the home.

The Division Should Align State Regulations With Federal Requirements

Federal statutes and policies do not specifically address how adoption subsidies for Title IV-E cases should be handled when a child is temporarily placed outside of the adoptive home. However, they do describe the following circumstances in which a subsidy can be terminated:

- The child attains the age of 18, or 21 in cases where the State determines that the child has a mental or physical handicap which warrants continuation of assistance.
- The State determines that the parents are no longer legally responsible for the support of the child.
- The State determines that the child is no longer receiving any support from the parents.

Further, Title IV-E adoption subsidies can be reduced or stopped if the adoptive parents agree to the change.

The Department has attempted to provide guidance to counties in this area. Specifically, a guidance letter issued by the Department in 1997 states that if a child who is eligible for Title IV-E is placed out of the home for any reason, the adoption subsidy must be continued. Similarly, in a written response to a county inquiry in January 2001, the Department stated that subsidies cannot be suspended for Title IV-E cases when children are placed out of the home. However, these directives do not appear to be consistent with the Department's rules and regulations, which state:

- The county department shall terminate adoption assistance payments for subsidized adoption when the child is removed from the adoptive home because of abuse or neglect.
- When a child is receiving a state/county only subsidy and is absent from the home for over 30 calendar days, the adoption assistance payments and case services subsidy will be discontinued.
- Children with a Title IV-E adoption assistance subsidy who are out of the home for over 30 calendar days will continue to receive an adoption assistance payment unless the child is removed from the home because of abuse or neglect.

Division staff told us that they sent the revised rules and regulations cited above to the U.S. Department of Health and Human Services but have not received a response regarding the consistency of the requirements with federal law.

Our review of county procedures found that counties are unclear on how to handle adoption subsidies in out-of-home placement situations. As a result, it is important for the Division to establish and communicate to counties a clear policy on managing adoption subsidies when children are placed out of their adoptive homes. This policy should explain when counties should suspend adoption subsidies for children placed out of their homes and describe the procedures counties should use to assess fees for out-of-home placements. The Division should ensure that this policy is consistent with federal requirements by meeting with federal representatives on this issue and obtaining a written statement regarding the policy. Additionally, Division staff should ensure that counties are complying with this policy by reviewing cases involving out-of-home placements as part of their annual monitoring reviews.

Recommendation No. 7:

The Division of Child Welfare Services should improve how counties handle adoption subsidies when children are temporarily placed out of their adoptive homes by:

- a. Developing a written policy that clearly describes procedures for subsidy payments when children are placed out of their adoptive homes and that is consistent with both state and federal statutes and policies.
- b. Providing training and technical assistance to counties regarding the written policy.
- c. Ensuring that counties comply with the policy by reviewing financial records as part of its monitoring reviews.

Division of Child Welfare Services Response:

Agree. The Department will develop a written policy to address the use of subsidy payments and will provide this information during the monthly Adoption Supervisors meetings and at regional training sessions. The monitoring reviews will be expanded to include reviewing of financial records.

Federal Funding May Be Affected by Problems With Subsidy Agreements

During Calendar Years 2000 and 2001, the Division conducted monitoring reviews of subsidized adoption programs in a sample of counties. These reviews primarily focused on determining whether children were eligible for the program financing their adoption subsidies. During these two years Division staff reviewed case files for nearly 300 cases in 19 counties.

As part of its monitoring reviews, the Division identified several cases where the county did not properly create the initial adoption subsidy agreement. Specifically, the Division determined that for 15 Title IV-E cases in 10 counties, either the counties did not create an initial adoption subsidy agreement or the county staff and/or the adoptive parents did not sign the initial agreement prior to the finalization of the adoption. Federal regulations require the adoption subsidy agreement to "be signed and in effect at the time of or prior to the final decree of adoption," and Department rules and regulations require the county department to "sign the subsidized adoption agreement before the adoption is finalized." Therefore, these 15 cases were technically not eligible for either the IV-E or the state/county program.

When Division staff identified these cases, they informed the counties of the issue and instructed them to change the funding from Title IV-E to the state/county program to avoid being out of compliance with federal requirements. Non-compliance with federal policies can result in the loss of federal funding for the Program. We question changing the program eligibility for these cases from Title IV-E to state/county based on a technicality; these children meet the requirements for participation in the Title IV-E program. One drawback to the Division's approach is that the State's cost for the monthly subsidies in these cases increases. The State pays 80 percent of the subsidy amount for state/county participants compared with 30 percent for Title IV-E participants. We estimate the State will have to pay an additional \$415,000 in subsidies if these cases continue until the children reach age 18. Changing the funding code for these cases does not affect the counties' costs. Because of the additional financial burden placed on the State, it is important for the Division to work with the federal liaison to try to reinstate cases for Title IV-E funding that are considered ineligible due to a technicality.

Recommendation No. 8:

The Division of Child Welfare Services should work with the federal liaison to reinstate subsidized adoption cases that have been removed from the federal Title IV-E program due to technical problems with properly establishing the initial subsidy agreement.

Division of Child Welfare Services Response:

Agree. The Department will address this matter with the Region VIII federal liaison to determine if there is any more flexibility for reinstatement since the last time it was addressed.

Assistance on Establishing Subsidy Agreements Is Needed

In addition to cases identified by the Division's monitoring reviews, we found indicators that counties were not fully aware of the requirements for establishing subsidy agreements. In our sample of 89 subsidized adoption cases where adoptions were finalized between 1998 and 2000, we identified 3 cases in one county where subsidy agreements were not signed on time. We also identified 24 cases in another county where Medicaid coverage is provided, but no subsidy agreements have been established. Staff from this county stated

that they were unaware that they were required to establish subsidy agreements for Medicaid-only cases.

There are several ways the Division could improve county awareness of the need to establish agreements for all subsidized adoption cases in a timely manner. First, the Division could share its monitoring results with all counties in an aggregate format. Currently the Division does not communicate issues identified in its monitoring reviews to all counties to alert them to potential problem areas. Second, the Division should ensure that all counties either receive training in this area or are at least provided training materials. The Division has provided training to counties on how to properly establish subsidy agreements, but not all counties attend the training sessions and the training information is not disseminated to those who do not attend. Improvements in communication could help ensure that counties are aware of the requirements for establishing subsidy agreements. Finally, consequences such as monetary sanctions for repeated problems could help ensure compliance with these requirements. The Division is considering sanctioning a county that has failed its monitoring reviews for two consecutive years.

As mentioned earlier, it is important for the Division to ensure counties are complying with program requirements for establishing subsidy agreements. This is because non-compliance can result in the State losing Title IV-E funding, creating a greater financial burden on the State.

Recommendation No. 9:

The Division of Child Welfare Services should ensure that counties are aware of and in compliance with requirements to establish and sign adoption subsidy agreements in a timely manner. To accomplish this, the Division should:

- a. Provide training and technical assistance to all counties and communicate to all counties the issues identified in monitoring reviews.
- b. Establish monetary sanctions for repeated problems with properly developing subsidy agreements.

Division of Child Welfare Services Response:

Agree.

- a. The Department will annually issue an agency letter to county departments informing them of trends found during the annual adoption monitoring review. Adoption training will be offered to county departments annually. Technical assistance will be provided to all counties upon request.
 - b. As a part of the corrective action process the Department has identified when to utilize fiscal sanctions as part of a failed corrective action.
-

Adoption Subsidy Negotiations

Chapter 3

Background

In Colorado nearly all of the families that adopt children through county departments of social services receive some type of adoption assistance. In Fiscal Year 2000, adoption subsidies were provided to families in 97 percent of the cases where adoptions were finalized. Counties can provide varying levels of assistance to families adopting special needs children. These include:

- Medicaid coverage without a monthly adoption subsidy (all children in the Program are eligible for Medicaid);
- A short-term adoption subsidy with Medicaid coverage; or
- A long-term adoption subsidy with Medicaid coverage.

According to federal and state policies and regulations, counties can only increase or decrease the adoption subsidy amount based upon changes in the family's circumstances or the child's special needs identified at the time of the adoption.

Review County Adoption Subsidy Rates

In 1997 the Colorado Legislature modified the ways counties set their foster care maintenance and adoption subsidy rates. Senate Bill 97-218 established provisions allowing counties to negotiate rates, services, and outcomes with providers and giving them flexibility in how they spend their child welfare funds. Prior to the passage of this bill, the Department was responsible for setting maximum rates for foster care and subsidized adoption.

The Department's rules and regulations state the following with regard to setting adoption subsidy rates:

The adoption assistance subsidy shall be established in accordance with the county department's written policy. The policy shall outline criteria used for determining the amount of the subsidy. The county shall establish a maximum amount that can be provided to a family. The monthly respite care that is provided under the foster care program is not a benefit under the subsidy program. If a child with developmental disabilities is receiving an allowance in addition to the foster care payment at the time the child is placed for adoption, the allowance may continue under the subsidy program if the child continues to meet the criteria.

Counties set multiple adoption subsidy rates and often base their adoption subsidy rates on the child's age and/or the severity of the child's needs. Specifically, we found:

- Eight counties in our sample (40 percent) set their adoption subsidy rates based upon the age of the child. In most of these counties, rates are set for three different age brackets: ages birth to 10 years, ages 11 to 14 years, and ages 15 to 21 years. Rates increase with each age bracket. For instance, a county may set the rate for children ages birth to 10 at \$349 and the rate for children ages 11 to 14 at \$392.
- Four counties in our sample (20 percent) set rates based upon a level of care system. Many counties use assessment tools to identify the severity of the child's needs and assign a level of care for each child. These levels range from 0 to 5, depending on the type of tool. Counties set rates for the different levels of care. For instance, a county may set the maximum subsidy rate allowed for children scored at Level 1 at \$600 and the rate for children scored at Level 2 at \$800.
- Eight counties in our sample (40 percent) use a combination of age categories and a level of care system to set their adoption subsidy rates.

In addition, counties are allowed to add on a special needs allowance for children who are physically or mentally disabled. Depending on the severity of the disability, there are three different amounts that can be added according to state policy: \$91, \$136, and \$183.

As the following table shows, the average monthly subsidy payments made by each county that had subsidized adoption cases in Fiscal Year 2000 varied significantly. The disparities in payments are not based on differences in the cost of living or cost of care in the counties. However, county averages can be skewed by the number and types of children served. For instance, a smaller county that only served two children in the year and one of the children had severe needs may have a higher average payment. It should be noted that we were unable to obtain rates policies from all counties in the State because the Division does

not collect information on rates and therefore does not provide counties with statewide comparisons.

Average Monthly Subsidy Payments Made by Counties With Subsidized Adoption Cases in Fiscal Year 2000					
County ¹	Size ²	Average Payment	County	Size	Average Payment
El Paso	Large	\$615.99	Otero	Medium	\$323.81
Denver	Large	\$489.37	Logan	Medium	\$278.93
Arapahoe	Large	\$428.16	Eagle	Medium	\$198.66
Pueblo	Large	\$411.39	Rio Grande/Mineral	Medium	\$99.05
Mesa	Large	\$392.06	Summit	Small	\$695.20
Adams	Large	\$390.02	San Miguel	Small	\$576.55
Boulder	Large	\$376.64	Sedgwick	Small	\$541.46
Larimer	Large	\$374.67	Lake	Small	\$483.47
Jefferson	Large	\$368.93	Routt	Small	\$423.76
Weld	Large	\$354.99	Lincoln	Small	\$432.15
Teller	Medium	\$714.24	Bent	Small	\$397.48
Douglas	Medium	\$653.01	Park	Small	\$395.98
Prowers	Medium	\$532.81	Custer	Small	\$393.06
Chaffee	Medium	\$434.81	Archuleta	Small	\$386.81
La Plata	Medium	\$428.69	Gilpin	Small	\$377.30
Delta	Medium	\$405.16	Dolores	Small	\$360.72
Montrose	Medium	\$403.33	Baca	Small	\$354.73
Conejos	Medium	\$401.69	Costilla	Small	\$349.94
Montezuma	Medium	\$401.12	Clear Creek	Small	\$328.65
Alamosa	Medium	\$389.94	Washington	Small	\$319.79
Morgan	Medium	\$380.51	Kit Carson	Small	\$317.12
Fremont	Medium	\$361.72	Gunnison/Hinsdale	Small	\$311.00
Moffat	Medium	\$359.70	Kiowa	Small	\$296.80
Garfield	Medium	\$352.22	Yuma	Small	\$252.86
Las Animas	Medium	\$335.73	Statewide Average		\$459.13

Source: Data provided by the Division of Child Welfare Services.

¹ Some counties did not have any subsidized adoption cases in Fiscal Year 2000 and are not included in the table.

² The size of the county is based upon the Department's classification of counties.

It is clear that the Legislature intended counties to have maximum flexibility in setting their rates. This has resulted in significant variations in rates among the counties. While this flexibility is generally good for the Subsidized Adoption Program, we noted potential problems. For example, because families can adopt children from counties other than those in which they reside, counties with higher rates may attract prospective adoptive families from other counties with lower rates. Therefore, counties paying lower rates may encounter difficulties in finding prospective adoptive parents for children in their custody, and these children may languish in the foster care system. Some counties in our sample indicated that they have struggled to explain to potential adoptive families why their rates are lower than rates provided in other counties in the State.

In addition, we found that higher rates may affect the amount of child welfare grant funds allocated to counties. As we discussed in the Overview section, Subsidized Adoption is part of the larger child welfare block grant. At the end of the year, counties that overspend their allocations from their child welfare block grants may receive additional funds to offset their overexpenditures. Surplus funds are first distributed to small- and medium-sized counties that have overspent their initial allocations, and these counties generally receive enough funds to completely offset their overexpenditures. After the distribution to the small- and medium-sized counties, any remaining funds are proportionally distributed to the large counties based upon how much the county overspent. This means that the more a county overspends, the more likely the county will receive a large amount of surplus funds. Although expenditures for the Subsidized Adoption Program generally represent a small proportion of the total child welfare expenditures, higher rates can contribute to the counties' overspending their initial block grant allocations. We identified at least one large county with some of the highest subsidized adoption rates in the State that received a large portion of the surplus funds.

Currently, Division staff do not collect or review adoption subsidy rates set by all counties. We believe the Division should monitor adoption subsidy rates periodically to determine how these rates affect the Program as a whole. By doing this, Division staff may identify and work with counties to address potential problems with the varied rates set throughout the State. Additionally, the Division should report its monitoring results to the General Assembly on an annual basis.

Recommendation No. 10:

The Division of Child Welfare Services should establish procedures to collect and review rate information on an annual basis to determine how rates set by all counties affect the Subsidized Adoption Program. Additionally, the Division should use the results of these

evaluations to present to the Senate Health, Environment, Children and Families Committee and the House Health, Environment, Welfare and Institutions Committee.

Division of Child Welfare Services Response:

Partially agree. The Department will meet with county representatives to develop a survey to collect and review subsidy rates on an annual basis to determine whether rates affect the Subsidized Adoption Program. The results of this survey will be presented to the Senate Health, Environment, Children, and Families Committee and the House Health, Environment, Welfare, and Institutions Committee.

Ensure That County Adoption Subsidy Rates Comply With Program Requirements

Counties use foster care maintenance rates as a basis for determining adoption subsidy rates. Federal and state statutes do not allow adoption subsidy payments to exceed the amount that would be paid for the child in foster care. We found that 18 of the 20 counties in our sample (90 percent) set their adoption subsidy rates equal to or below their foster care maintenance rates. However, two counties set their adoption subsidy rates higher than allowed because they include a respite care allowance in their subsidy rates. This allowance is paid with state and county funds. Counties can add on a respite care allowance for foster care maintenance payments. However, as discussed earlier, the Department's rules and regulations do not allow counties to include respite care in their adoption subsidy rates. In addition, federal policies state that:

Special allowances that may be made on behalf of an individual child in certain situations in foster care, such as child care or clothing allowances, are not permitted as an allowable additional reimbursement in the adoption assistance program. Special allowances for individual children that are over and above the State's foster care payment standard cannot be included in the amount negotiated in the adoption assistance agreement since the adoption assistance payment cannot exceed the foster care maintenance rate for the child.

By including respite care in their rates, these two counties exceeded the maximum allowable subsidy payment by nearly \$110,000 in Fiscal Year 2000. These funds could have been used for other services.

We found that Division of Child Welfare Services staff are not collecting and reviewing counties' adoption subsidy rates to ensure that these rates are in compliance with federal and state requirements. Further, Division staff do not always review adoption subsidy rates when conducting their annual monitoring reviews of county programs. Although the monitoring tool is designed to capture adoption subsidy and foster care rate information for individual cases, staff do not always collect and use this information as intended. Without this rate information, it is difficult to ensure that subsidy rates are not higher than foster care rates and that they do not include a respite care allowance.

Recommendation No. 11:

The Division of Child Welfare Services should ensure that counties are complying with program requirements by:

- a. Comparing adoption subsidy rates to foster care maintenance rates on an annual basis to ensure that subsidy rates are not exceeding foster care rates and do not include respite care allowances.
- b. Ensuring that the tool used as part of the monitoring reviews is properly completed and the rate information is reviewed by the Division.

Division of Child Welfare Services Response:

Agree.

- a. Annually the Department will collect and review subsidy rates to document that the subsidized adoption rate being paid is not higher than the foster care rate.
 - b. When conducting on-site monitoring, fiscal records will be reviewed to ensure respite care is not included.
-

Improve the Ways Counties Negotiate Adoption Subsidies

Department rules and regulations require counties to make a good faith effort to negotiate adoption subsidies with prospective adoptive parents. Counties must negotiate with the adoptive parents to request the amount that is needed by the family to meet the child's special needs. According to the rules, this may be less than the amount for which the child qualifies. Federal and state statutes, regulations, and policies require counties to consider the following when negotiating adoption subsidies: (1) the child's documented special needs at the time of the adoptive placement; (2) the adoptive family's circumstances; and (3) the need to purchase services that are not available in the community free of charge.

As part of our audit, we evaluated the approaches used by counties to consider these three factors when negotiating adoption subsidies. Overall, we found that most counties only take into account the needs of the child when determining the subsidy amount. Little or no consideration is given to family circumstances and the availability of other community resources to address the special needs of the adopted children. Furthermore, many counties make little effort to negotiate lower subsidies, resulting in payments at the upper limit for most cases. In our review of subsidy files for 89 cases where adoptions were finalized between 1998 and 2000, we found that subsidy rates were set at the maximum amount allowed in 63 cases (71 percent). In the following sections we identify ways the Division and counties can improve how subsidies are negotiated.

Clarify Consideration of Family Circumstances

Of the 20 counties we contacted during the audit, only 3 indicated that they consider the adoptive family's circumstances when determining the subsidy amount. The remaining 17 counties consider only the child's special needs to determine the amount of the subsidy. The counties indicated they do not consider family circumstances because federal and state policies and regulations do not allow a means test to be used for any purpose when developing subsidized adoption agreements. Specifically, federal policy states:

The use of a means test is prohibited in the process of selecting a suitable adoptive family, or in negotiating an adoption assistance agreement, including the amount of the adoption assistance payment. Title IV-E adoption assistance is not based upon a standard schedule of itemized needs and countable income. Instead the amount of the adoption assistance payment is determined through the discussion and

negotiation process between the adoptive parents and a representative of the State agency based upon the needs of the child and the circumstances of the family.

Generally, this language has been interpreted to mean that the income of the adoptive family cannot be considered when determining the adoption subsidy amount. However, two other sections within this policy indicate that the family's financial situation, including income, should be considered to a certain extent. These sections state:

- The payment that is agreed upon should combine with the parent's resources to cover the ordinary and special needs of the child projected over an extended period of time and should cover anticipated needs, e.g., child care. Anticipation and discussion of these needs are part of the negotiation of the amount of the adoption assistance payment.
- Consideration of the circumstances of the adoption parents has been interpreted [by the U.S. Department of Health and Human Services] to pertain to the adopting family's capacity to incorporate the child in their household in relation to their lifestyle, standard of living, and future plans, as well as their overall capacity to meet the immediate and future needs (including educational) of the child. This means considering the overall ability of the family to incorporate an individual child into their household. Families with the same incomes or in similar circumstances will not necessarily agree on identical types or amounts of assistance. The uniqueness of each child/family situation may result in different amounts.

The Department's rules and regulations also indicate that the financial situation of the family needs to be considered when determining the subsidy amount. Specifically, these rules and regulations state that adoption subsidies are intended "to help or remove financial barriers to the adoption of Colorado children with special needs by providing assistance to the parent or parents in the payment of expenses of caring for and raising the child." To identify the financial barriers, counties would need to evaluate the financial situations of adoptive families.

We found that one of the counties in our sample has developed an effective method for considering the circumstances of the family when negotiating adoption subsidies. This county requires prospective adoptive parents to complete a financial affidavit detailing the family's monthly income and expenses. The information from the affidavit is considered along with other family circumstances, such as whether the adoptive parents are close to retirement or are experiencing health problems, that could impact their ability to earn income. Therefore, this county takes a comprehensive approach to evaluating not only the

financial situation but also the lifestyle and standard of living of the family when determining an appropriate subsidy amount.

The Division recently notified this county that "the use of financial affidavits at any point in the process of an adoption subsidy is contrary to eligibility" for federal Title IV-E funding. The Division further stated that federal regulations prohibit counties from requiring families to complete financial affidavits. We could find no such prohibition in federal regulations, and the federal liaison for Colorado's Subsidized Adoption Program told us that financial affidavits may be used as part of the negotiation process as long as they are not extensive. It is possible that this county's financial affidavit could be considered extensive and is therefore not allowed. However, it appears that federal regulations do allow the use of an abbreviated affidavit. Counties collect some financial information from prospective adoptive families as part of the home study. This information may be useful when establishing adoption subsidy amounts.

The Department's rules and regulations provide limited guidance on how family circumstances should be considered during the negotiation process, as does the Child Welfare Practices Handbook, which is developed by Division staff. The Handbook states:

An adoption subsidy is child-focused, based on the child's needs and eligibility, not on the income level of the adoptive family. However, the adoptive family's financial ability to provide for the adoptive child's special needs can be a factor to consider when determining a level of monthly maintenance subsidy.

In addition, training offered by the Association of Administrators of the Interstate Compact on Adoption and Medical Assistance in August 2001 included a session on negotiating subsidies. This training highlighted the federal policy on negotiating adoption subsidies, including some information on how to consider family circumstances. However, some counties may not have attended this training. Several counties in our sample stated that they would like more direction from the Division on how to consider family circumstances when determining adoption subsidy amounts.

We also found that the Division does not determine whether counties are considering all required factors for negotiating adoption subsidies as part of its annual monitoring reviews of county subsidized adoption programs. The Division reviews documents to ensure the eligibility of the children in the Program but does not review any aspect of the subsidy payment amounts.

It is important for Division staff to provide more assistance on how counties should consider family circumstances as part of their negotiation process. This is because the

methods used by counties to determine adoption subsidy amounts can affect the total amount of resources available for the Program. As mentioned earlier, most of the counties in our sample tend to pay families the maximum amount allowed by their policies, based almost solely on the needs of the children. By not considering the circumstances of the family, these counties may be paying higher subsidies than needed. This could reduce the amount of resources available to find adoptive homes for other children in the state foster care system and to provide more assistance to families whose circumstances have worsened or whose children's needs have intensified.

Recommendation No. 12:

The Division of Child Welfare Services should provide more oversight and assistance to counties on how they should consider family circumstances when negotiating adoption subsidies by:

- a. Developing methods for counties to use for considering family circumstances when determining the adoption subsidy amount. This should include some abbreviated form of financial reporting by the family.
- b. Providing more training and technical assistance to counties on how to consider family circumstances as part of the negotiation process.
- c. Reviewing county procedures for considering family circumstances when conducting monitoring reviews.

Division of Child Welfare Services Response:

Agree.

- a. The Department will clarify in rule that counties should utilize financial information, including assets, liabilities and insurance benefits when negotiating the initial subsidized adoption agreement.
 - b. Training and technical assistance to counties will include a focus on consideration of financial circumstances.
 - c. The Department will add this item to its monitoring instrument.
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Encourage Use of Low-Cost Subsidies

One of the main eligibility requirements for the Subsidized Adoption Program is that the child must have a special need that acts as a barrier to adoption. According to Department rules and regulations, special needs include a physical disability, mental retardation, emotional disturbance, hereditary factors, exposure to drugs or alcohol in utero, or other conditions that act as serious barriers to adoption including age or membership in a sibling group. The adoption subsidy is intended to help offset the costs of addressing these special needs. However, the subsidy is not the only resource available to families with special needs children. Medicaid coverage is provided to all children in the Program. For our sample of 168 subsidy cases, we found that nearly \$1.8 million was paid out for Medicaid services in Fiscal Years 2000 and 2001. Medicaid offers various services that can address the special needs of children in the Program, such as:

- Routine medical screenings.
- Speech, occupational, and physical therapy.
- Prescription drugs.
- Durable medical equipment.
- Oxygen and medical supplies.
- Mental health services.
- Physician and outpatient hospital care.

Mental health services are available through eight mental health contractors in Colorado called Mental Health Assessment and Service Agencies (MHASAs). Some of the mental health services provided through MHASAs include assessments, treatment plans, case management, and inpatient and outpatient services.

In addition to Medicaid, some other sources may be available in the adoptive family's community free of charge. These may include adoptive parent support groups, mentoring, respite care, special education, and early childhood screenings and evaluations. According to Department rules and regulations, counties are supposed to consider these other resources when determining the adoption subsidy amount for each case. However, we found most counties do not consider what Medicaid and other community resources will cover with regard to the child's needs. We found that fewer than half of the counties in our sample consider the extent to which Medicaid and other free community resources can address the child's special needs and adjust the subsidy amounts to reflect the availability of other resources. For some families, Medicaid coverage may be the only assistance needed to remove financial barriers to the adoption of the child. One small county has placed about 95 percent (17 cases) of the children adopted between 1997 and 2000 with

Medicaid-only subsidies. For these cases, staff determined that Medicaid sufficiently covered the needs of the child and a monthly subsidy was not needed.

The Division does not actively encourage counties to set adoption subsidies at the lowest amount that will meet the families' needs. However, it is important for the Division and counties to target their resources for the Program where they are most needed, such as recruiting adoptive parents for hard-to-place children. As mentioned earlier, 42 percent of the children awaiting adoption in Colorado in Federal Fiscal Year 1999 were actually adopted. This indicates that a majority of children were still awaiting adoption. By working to keep subsidy payments low, the Division could make additional resources available to help place more children in permanent adoptive homes. Further, department rules and regulations emphasize the importance of negotiating the lowest subsidy needed. These rules and regulations state that counties should "negotiate with adoptive parents to request the amount that is needed by the family to meet the child's special needs. This may be less than the amount for which the child qualifies." Counties should make every effort to identify no-cost resources outside of the Subsidized Adoption Program to cover the needs of the children and to consider these resources when negotiating subsidies to ensure the amounts are as low as possible while still meeting the needs of the family.

To encourage counties to negotiate adoption subsidies at the lowest amount needed for the family, the Division should identify best practices currently in use and share these approaches with all counties in the State. For instance, the Division should identify best practices used by counties to negotiate Medicaid-only and other low-cost subsidies and share this information with counties throughout the State. The Division currently holds monthly meetings for Subsidized Adoption supervisors that could serve as one forum for sharing such information. However, not all counties attend all supervisor meetings, so it is important for the Division to develop and implement other communication methods to reach all counties. This may include sending minutes from the monthly supervisor meeting to all counties in the State as well as creating and distributing agency letters to all counties on issues of importance.

Recommendation No. 13:

The Division of Child Welfare Services should provide more direction to counties on how to negotiate the lowest adoption subsidy needed for families to meet the special needs of their adopted children. This should include:

- a. Identifying counties that are successfully negotiating adoption subsidies at the lowest amount needed for the family and sharing this information with all counties in the State on a regular basis.

- b. Reviewing the methods used by counties to negotiate adoption subsidies as part of its annual monitoring visits.
- c. Providing technical assistance to counties struggling to effectively negotiate the lowest subsidy needed.

Division of Child Welfare Services Response:

Agree.

- a. The Department will annually distribute information on successful negotiation techniques beginning July 1, 2003.
- b. The Department will add this item to its monitoring instrument.
- c. The Department will provide technical assistance upon request in this area.

Some Counties Automatically Increase Subsidy Amounts When Children Enter New Age Categories

According to federal and state requirements, subsidy amounts are to be based on the needs of the child, the family's circumstances, and the availability of free resources in the community. Subsidy amounts can be increased or decreased after the initial agreement is established when the child's documented special needs or the family's circumstances change. However, for Title IV-E cases, federal policy states that counties can only decrease subsidy amounts if the adoptive family agrees with the reduction. With the state/county program, the subsidy can be decreased if it is determined that the child's needs or family's circumstances have improved and the higher subsidy is no longer needed. Families can appeal decisions made by counties to reduce the amount of their subsidies.

As part of our review of 89 subsidy files where adoptions were finalized between 1998 and 2000, we evaluated information related to subsidy payments occurring in Calendar Years 1999, 2000, and 2001. We found that monthly subsidy amounts changed in 16 cases (18 percent). Subsidy amounts increased in 13 cases and decreased in 3 cases. Although some of the increases in the subsidy amounts were due to requests made by the families, six cases were due to changes in the age of the child. This is because 13 counties

in our sample automatically increase adoption subsidy rates when children enter new age categories. As discussed earlier in this chapter, some counties set some or all of their subsidy rates based upon the age of the child. Rates are often set for three different age categories, including (1) ages birth to 10 years old (2) ages 11 to 14 years old and (3) ages 15 to 21 years old. The maximum amount allowed for subsidy rates increases when children enter the new age categories. For instance, a county may set its maximum subsidy rates for children ages birth to 10 years old at \$349 and its rates for children ages 11 to 14 years old at \$392.

The practice of increasing payments when children enter new age categories is common in foster care where it is generally accepted that the cost of care for a child will increase as the child grows older. While we recognize that, in general, the cost of care may increase as children grow older, we question the practice of automatically increasing adoption subsidy rates as children age. This practice does not directly account for changes in the three main criteria for determining subsidy amounts—the child's special needs, the family's circumstances, and the availability of community resources. However, it does result in increased costs to the Program. We estimate that an additional \$19,000 would be paid for the six cases cited above if these cases continue until the children reach age 18. Rather than increasing payments based solely on age for children already in the Program, these resources could be used to find families for children awaiting adoption.

Currently the Department's rules and regulations are silent on whether adoption subsidies should be increased when children enter new age categories. We believe the Division should emphasize to counties through training sessions and agency letters that subsidy amount decisions are to be determined on a case-by-case basis. The Division should communicate to counties that subsidy rates should not be automatically increased when a child enters a new age category. Rather, decisions on the subsidy amount should be based upon how the child's special needs and the family's circumstances have changed and the availability of community resources free of charge.

Recommendation No. 14:

The Division of Child Welfare Services should ensure that counties make changes to subsidy amounts based on the child's needs, the family's circumstances, and the availability of free community resources by:

- a. Establishing a written policy to counties clarifying that subsidy rates are to be renegotiated based upon how the child's needs or family's circumstances have

changed. This policy should also detail how counties should document reasons for increasing rates, particularly due to changes in the child's age.

- b. Ensuring that counties are complying with the new policy through the annual monitoring reviews and the provision of technical assistance to counties, as needed.

Division of Child Welfare Response:

Agree.

- a. The Department will draft rules concerning renegotiating subsidies based on needs.
 - b. The Department will add this item to their monitoring instrument.
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