States put kids' lives on the block

The first of a 3-part series.

By David Jackson and Cornelia Grumman
TRIBUNE STAFF WRITERS

In what amounts to a vast social experiment, government is retreating from its historic role of caring for orphaned and delinquent children and is parceling them out to an expanding private industry of youth jails and foster programs.

The reliance on private entrepreneurs has quietly created one of the most fundamental shifts in the way America handles troubled youth since the introduction of juvenile courts a century ago.

But the lucrative private programs, which were touted as an antidote to the wretched conditions found in state institutions, are rife with corruption and abuse, and are scantly monitored, a Tribune investigation has found.

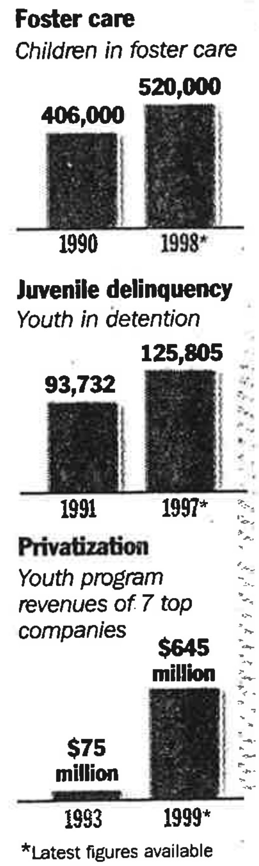
At a for-profit Florida prison that reaped $9 million a year, guards staged gladiator matches called "The Main Event" in which 13- and 14-year-olds pummeled each other as fellow inmates watched. The prison held some juveniles beyond their release dates to increase the company's state income.

In a violence-plagued South Carolina youth prison that garnered $8.6 million in one year, a 14-year-old inmate was hogtied, doused with Mace or pepper spray and beaten by guards, according to court records.

Given $2,895 a month to find a loving family for a Chicago infant, a local foster agency instead held the boy for three years in a series of ill-kempt South Side group homes where he developed tuberculosis, ringworm and a combative personality.

Growth of youth services

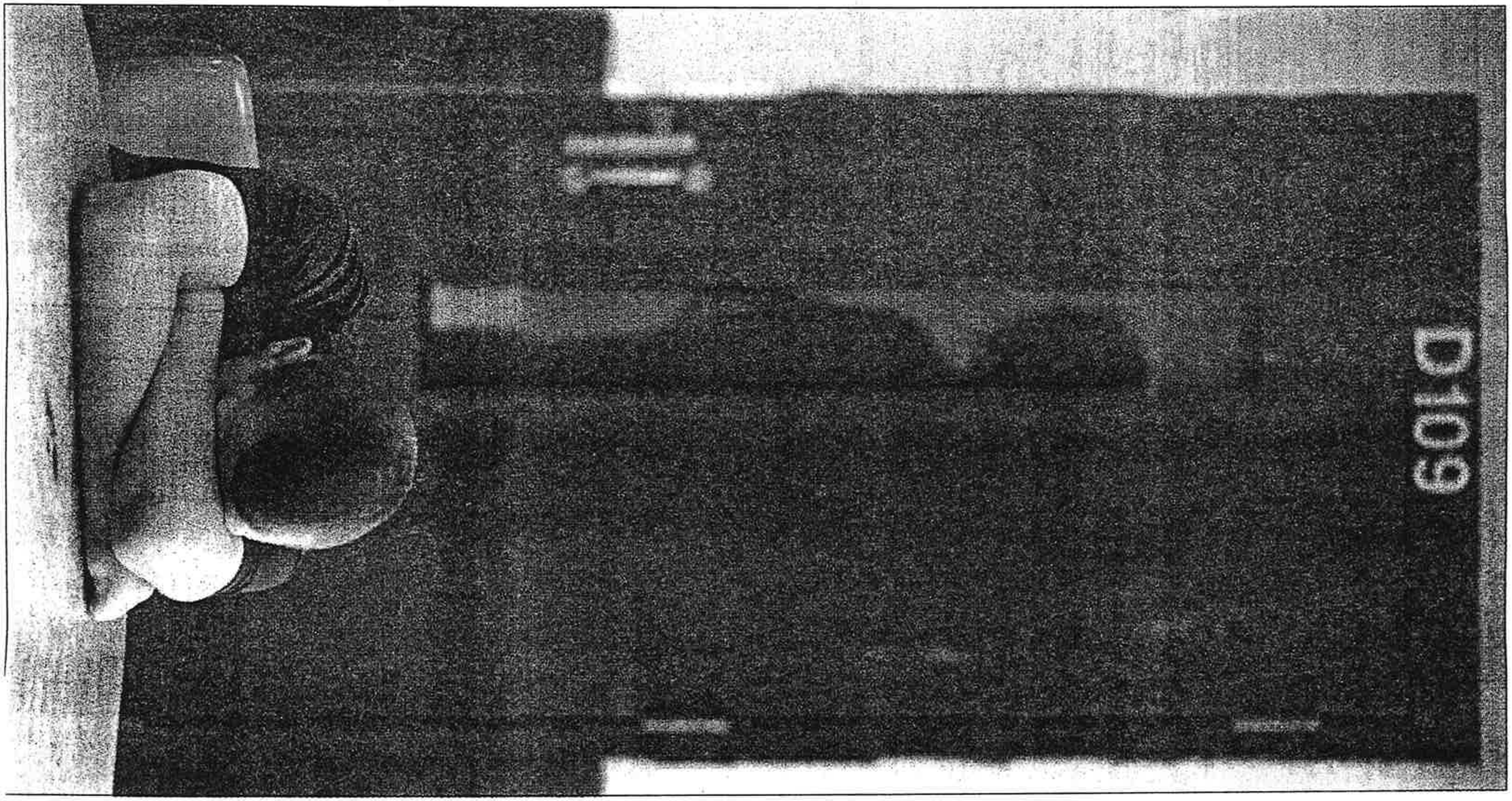
As more children poured into public and private foster care and detention centers during the 1990s, the revenues of for-profit youth services companies soared.



*Latest figures available

Chicago Tribune, Sunday, September 26, 1999

Chicago Tribune



Tribune photo by Nancy Stone

A young inmate looks from behind a cell door as another rests in a common area at the Pahokee Development Center in Florida, run by the nation's largest private youth prison company.

"The more kids they can get and the longer they can keep them, the more money they can make, and that's a dangerous thing," said former Massachusetts child welfare administrator Jerome G. Miller.

Once the exclusive province of local charities, small churches and child advocates, the youth services industry of the 1990s ranges from a handful of multistate corporations that dominate the market to smaller start-ups that win million-dollar contracts with little more than a shabby bungalow and a few empty cots.

The seven largest publicly traded companies saw their income from government youth contracts soar to $645 million from $75 million six years ago. Four of those seven companies did not exist or did not handle youth before 1990.

The burgeoning market attracted corporate executives whose careers were checkered by accusations of swindling and fraud. Using public funds, some administrators treated themselves to luxury car allowances, country club memberships and million dollar management fees, records and interviews show.

Some non-profits were every bit as avaricious as their profit-making counterparts. As the stakes rose, many were bought up or squeezed out by the new competition, and some collapsed under their growing responsibilities, with devastating results for their young wards.

Children's case files examined by the Tribune point to a fundamental collision between the traditional mission of child work–to normalize youth and move them out of the system–and the profit motive, which seeks to keep them in. Even in the non-profit sector, many fee-per-child contracts give private companies no incentive to discharge children or reduce their level of care or confinement as functioning improves, because doing so would cut revenues, government studies found.

Once states subcontracted these children to the private sector, they left the new caretakers largely to their own devices. State officials gave fledgling companies some of government's most far-reaching responsibilities, putting them in charge of licensing and policing other firms and making crucial choices about young wards.

Many state agencies were ill-prepared for their new role as watchdog.

"The function of the state agency is different now: it is quality control, and some states are having a hard time doing that," said David Altschuler, principal researcher at the Johns Hopkins University Institute for Policy Studies.

In the best of circumstances, private detention and foster care programs offer a host of potential benefits. The free market has produced innovators who pioneered influential treatment methods and the competition for contracts spurs some providers to maintain their highest standards.

But while some children unquestionably have fared better in private hands, there is no conclusive evidence that those sent to private programs are as a whole better off, or that taxpayers saved money, as the companies promised. Audits and independent studies present a mixed and murky picture.

Private companies gained such a toehold in large part because some government agencies failed spectacularly to protect the children in their care during the 1990s. The Justice Department is handling six investigations into state-run youth prisons, suing the State of Louisiana over alleged civil rights violations in its juvenile corrections facilities and monitoring consent decrees in Kentucky, New Jersey and Puerto Rico.

And the government-managed child welfare systems of Illinois and 11 other states are operating under court-ordered consent decrees because of class action lawsuits alleging systemwide abuse of wards.

"It is not as if the public sector has lived up to its mission," said Ira M. Schwartz, dean of the University of Pennsylvania's School of Social Work. "But in the private sector, there have been a number of cases where greed and lack of concern for children have come to the forefront."

When University of South Carolina psychiatrist Dr. Donald W. Morgan walked into a for-profit South Carolina youth prison to interview William Pacetti, he found the boy "hogtied on a bare concrete floor in a small room ... overcome by fear," Morgan said in court papers.

Pacetti was 13 when he arrived at Correctional Corporation of America's facility in July 1996 after he accumulated charges of disrupting school, threatening a school bus driver and truancy. After eight months in the company's Columbia Training Center, he was admitted to the state Department of Mental Health covered in bruises and in need of acute psychiatric care.

His treating psychiatrist, Dr. Elin Berg, said in a court filing that Pacetti's long-term mental illnesses "stem directly" from abuses he endured and witnessed at Columbia.

Correctional Corporation of America, or CCA, has denied in court papers that its employees hogtied youth or used any improper force. "Hogtying," or chaining a youth's wrists to his ankles in a way that does not allow him to straighten his legs, is forbidden as a form of punishment in South Carolina.

A lawsuit filed on Pacetti's behalf

Largest for-profit juvenile companies

The privatization of child welfare and juvenile delinquency programs has increased rapidly during the 1990s, with the largest publicly traded companies that cater to youth bringing in $645 million from youth programs last year. Some of these companies also handle adults, but those revenues are not counted on this chart.

COMPANY (Year began serving youth)	NUMBER OF YOUTH SERVED*	TOTAL REVENUES FROM YOUTH PROGRAMS*
Res-care Inc. (1974)	8,395	$175 million
Correctional Services Corp. (1992)	4,209	$150 million
Children's Comprehensive Services (1985)	3,800	$115 million
Cornell Companies (1997)	2,950	$55 million
Ramsay Youth Services (1997)	2,400	$63 million
Wackenhut Corrections (1993)	1,636	$37 million
Corrections Corp. of America (1984)	973	$50 million**

Sources: Company reports, SEC *Latest data available **CCA refused to release breakdown of revenues. Tribune estimates $50 million came from youth.

last year alleges he was hogtied more than 30 times, doused with Mace and pepper spray and beaten twice by guards. His lawsuit was one of 12 alleging similar abuses at the facility. In June 1997, after a series of state reports said CCA failed to meet performance standards, then-South Carolina Gov. David Beasley canceled the company's $8.6 million-a-year contract. Pacetti has since been placed in a small therapeutic treatment center, also run privately, and appears to be thriving.

Earlier this month, when Hurricane Floyd hit the area and some staff members couldn't make it to work, Pacetti and another resident took it upon themselves to keep the kitchen running and feed the other 50 residents.

CCA, which in January underwent a corporate restructuring and merged into a real estate investment trust, has continued pushing into the youth market. Today, the company has contracts to house 973 youth in four states, a fourfold increase from 1993.

A lovely dinner

The growth of both the detention and foster-care markets is fueled by a single, sad fact: Even as the American economy built to a steady hum during the 1990s, growing numbers of children filed into the nation's juvenile courts.

In 1998, some 520,000 children were removed from their homes because of reported abuse or neglect, up from 340,000 a decade earlier.

When the U.S. Justice Department's last census of children in confinement was taken, in October 1997, 126,000 youth sat in detention facilities, up from 94,000 six years before. About 40 percent are now in private institutions. Some of those youth were being held as potential runaways or criminal suspects, and were not charged with crimes.

While the violent crime arrest rate for youth under 15 has declined since peaking in 1994, tougher laws and longer sentences have put more children in prisons than ever before and kept them there longer.

In addition, the country's youth population is growing. The U.S. Census Bureau says the number of adolescents could increase 21 percent, to 21 million, by 2005.

The private youth services industry and critical policy questions surrounding it have remained obscure in large part because pertinent records are tightly held by corporations or because some government departments refuse to release them.

The U.S. Department of Justice takes a biennial census of children in confinement, for example, but justice officials will not make public even basic statistical data on the private facilities–such as their names, locations and the number of youth housed in each of them. Justice lawyers claim any data on the private companies is protected by a provision of federal law that allows individual citizens to keep some parts of their criminal records confidential.

No single, Solomon-like agency is charged with making decisions about these young lives. The wards are meted out to public agencies or pri-

Tribune photos by Nancy Stone

$83/day | **The amount a private prison received for William Pacetti**

It cost South Carolina $83 per day to house William Pacetti (above) at the privately run Columbia Training Center, a youth prison where he allegedly was hogtied. Pacetti, now 17, was moved to a private treatment center where he has the freedom to practice flips (below) on the grounds.

vate companies through a complex network of social workers, juvenile court judges and government officers who follow protocols that vary from state to state and child to child.

In most states, juvenile delinquents and foster children are served by separate court systems and government agencies. But those two populations overlap and link, and the funding streams and programs that serve them also blend in complex ways. Today's market-leading companies offer the full spectrum of services, from youth jails to foster programs.

To garner the wards, some companies funnel campaign contributions to public officials while others deploy elaborate marketing schemes, enticing social workers and judges with lavish dinners and compelling promises.

"The kids become a fungible item. There's money behind them," said Cook County Public Guardian Patrick Murphy.

Thumbing cellular phones and stacks of bright brochures, marketers from Century HealthCare Corp. trolled the corridors of Cook County Juvenile Court. They sought violent and abused children who came with lucrative government funding.

The children "were seen as bodies that we got $300 a day for," said Florence Simcoe, who served as clinical director of Century's Westbridge Treatment Center in Phoenix until 1996 and marketed that facility to Illinois officials.

On the promise that Westbridge's intensive treatment programs would salvage violent and disturbed wards who had failed in every other setting, Illinois paid the company $15 million during the 1990s.

Forging relationships with the government bureaucrats who parceled out troubled children to private companies, the marketers paved the way by being relentlessly helpful, said former county probation supervisor Sheila Nicolai, who retired in November 1997.

"The kid needs a medical card, some kind of form is needed, they'll say, 'I'll do it. Let's save you some time,' " Nicolai said.

On visits to Century's Westbridge facility in sun-soaked Phoenix, beleaguered Cook County child workers were treated to sumptuous meals in the petunia-laced courtyard of Lon's restaurant, then offered after-dinner drinks and cigars.

"We took them out to a lovely dinner. The next day, breakfast at their hotel," Simcoe said.

Simcoe said she resigned when she realized her marketing promises were hollow.

"Instead of two kids to a room, we had three," she said. "Violent kids were mixed with psychiatric patients. And Westbridge made a lot of money."

Illinois withdrew its children from Westbridge in 1996 after a series of state inspections revealed unsanitary conditions and a pattern of aggressive and sexual acting out by the young residents. A 13-year-old sexual predator had been placed in the children's unit, where he bullied smaller youth into a sex ring, Phoenix police records show. A 10-year-old told Phoenix police he was molested repeatedly.

Unknown to the Illinois bureaucrats who placed more than 40 children there, a $25 million bank debt was threatening Century HealthCare, Westbridge's parent company, and driving down the conditions of care.

Century founder Jerry David Dillon testified at a May 1995 Manhattan federal court hearing that cost-cutting bankers forced him to dismiss crucial supervisory and clinical staff.

"We will do nothing but deteriorate because our product is providing clinical treatment," Dillon said he told the bankers. "We are not selling nuts and bolts here, we are treating highly disturbed adolescents who are a menace to society. The bank did not listen to that."

In June 1992, a company related to Columbia/HCA Health Care Corp. agreed to manage Century's facilities as part of a deal that gave Dillon $1.3 million in cash, employment and consulting agreements and 50 percent of the sale revenues of some properties, court records and interviews show.

Although he still owned Century's stock after 1992, Dillon no longer controlled the day-to-day operations. Westbridge has since been sold.

In a darkened room

In Illinois–one of several states where child welfare laws limit the involvement of profit-making foster care companies–a league of community-based non-profits handle three-quarters of the state's wards, taking contracts worth more than $500 million a year.

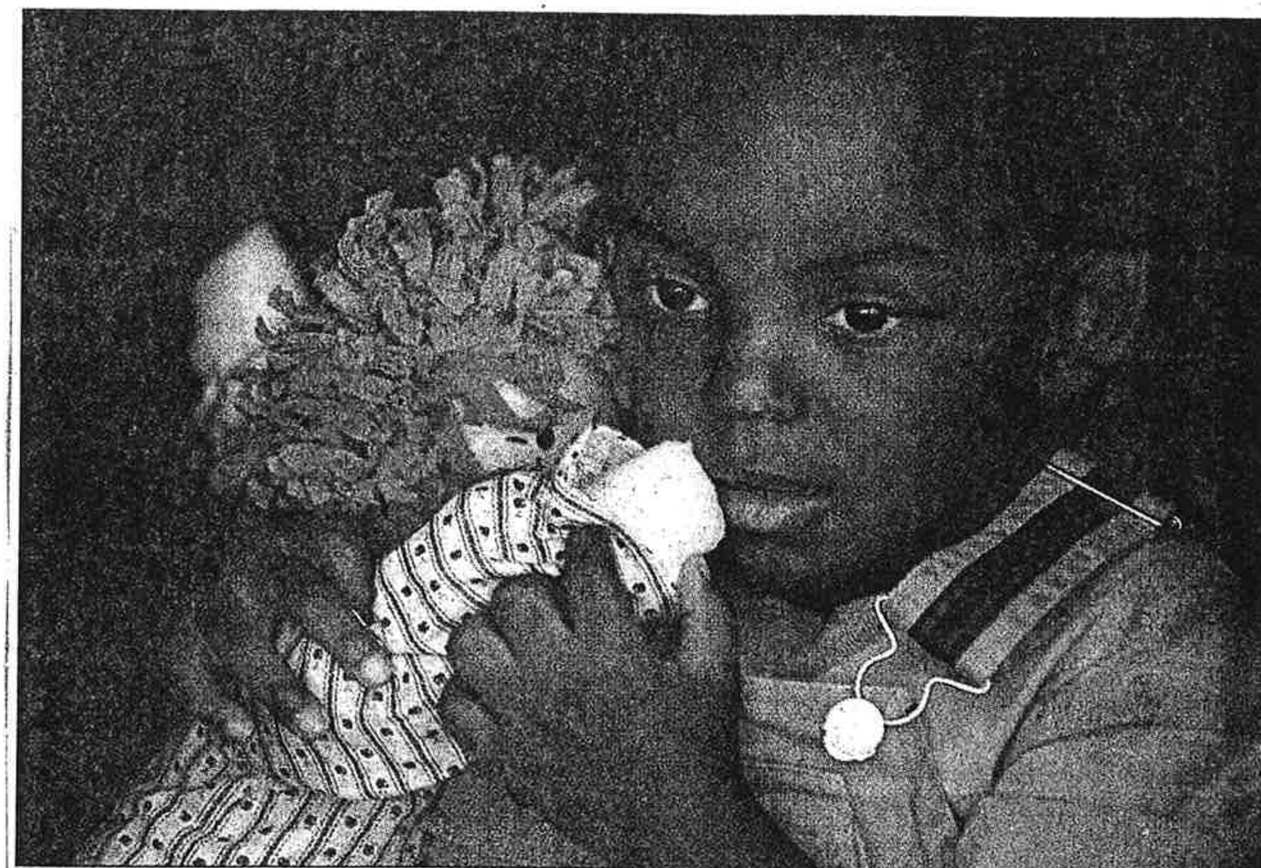
But as 4-year-old Aisha's story shows, this new marketplace operates with little government oversight and is riddled with incompetence and fraud.

Taken from her cocaine-addicted mother a week after she was born in a Chicago hospital in 1994, Aisha passed through seven foster homes overseen by seven different agencies and 13 caseworkers. Each time one private agency was shuttered, her case–and the dollars that came with it–was transferred to a new firm, as Aisha and other children drifted through months of bureaucratic limbo.

In late 1997, after Aisha's case was shuffled through three failed or faltering agencies, she and her brother were placed in the care of a non-profit called Child's Needs First. That company could not account for the children for three months, a report in her case file shows.

In February 1998, Child's Needs First placed Aisha in the South Side home of foster parents Vandeliea and Edward Evans. The girl rarely was seen by caseworkers, as the agency began to spiral into disarray. In April 1998, four caseworkers quit in one week. By late summer of that year, the three who remained handled at least 46 children apiece, nearly twice the mandated caseload.

Child's Needs First was shut down by the state amid complaints that children went months without critical services and case managers missed home visits and court dates,



Tribune photo by Nancy Stone

$11/day | The amount Illinois paid for Aisha's care

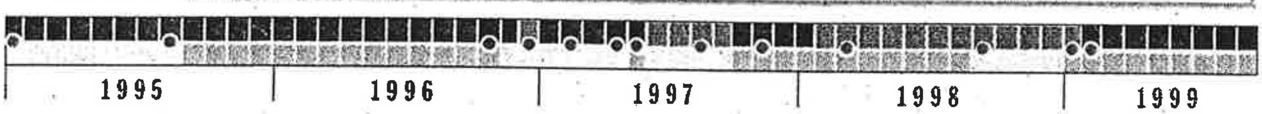
Four-year-old Aisha clings to a doll she was given after being taken from a foster home where officials say she was brutally beaten and suffering from malnutrition while Illinois paid $11 per day for her care.

Aisha's turbulent years

One week after Aisha was born to a cocaine-addicted mother on Dec. 28, 1994, the Department of Children and Family Services took custody of her. Since then, she has passed through seven foster homes overseen by seven different agencies and 13 caseworkers.

Changes in Aisha's care

KEY: Change in foster home — Change in foster agency — Change in caseworker



Source: DCFS, juvenile court records

Note: Aisha was placed in one foster agency twice.

Chicago Tribune/David Constantine, Phil Geib juvenile court files show.

Aisha's case was transferred to Aunt Martha's Youth Service Center Inc., one of the state's largest private foster agencies. But this $34-million-a-year non-profit failed for months to see its ward in person. Vandeliea Evans gave Aunt Martha workers spurious excuses that kept them out of her house, and she began working to replace that agency with another one, court records and interviews show. In January, at Evans' insistence, responsibility for Aisha's case was transferred to a foster agency called ChildServ.

Amid the transfer, Aunt Martha's workers concede that no one checked on Aisha for two months. Still, an Aunt Martha's supervisor told ChildServ workers "the Evanses were great foster parents" and the children "were bonded" to them, a Jan. 15 ChildServ memo said.

After several blocked attempts to visit the Evans home, on Jan. 21 ChildServ caseworker Therese McCleary finally got in to see Aisha.

The 4-year-old sat nearly motionless on a bedroom floor, police records and interviews show. Her distended stomach bulged, hiding internal wounds. Her left arm hung sore and useless, betraying a fractured bone. Dried blood caked on the tip of her nose. Old scars and fresh scratches stitched her expressionless face.

In the darkened room, she slowly turned a single block over and over in one hand.

At La Rabida Children's Hospital and Medical Center, a doctor characterized her condition as "one of the worst cases of abuse and malnutrition" she had ever seen.

After failing a police polygraph test, Vandeliea Evans admitted to strapping the naked preschooler to a bed with a necktie and beating her with a belt, jamming the arm of the girl's Betsy Wetsy doll up her vagina "to teach her a lesson," and dragging her up the stairs so violently by her arm that it broke, police records show.

In interviews with the Tribune from Cook County Jail, where they remain locked on charges of attempted first degree murder, aggravated battery and unlawful restraint, the Evanses now deny harming Aisha.

"(A caseworker) said she was going to help me with these kids," Vandeliea Evans said. "I told her, 'I have no training for this.' But nobody stepped in to help me. Nobody."

The Evanses said they took Aisha in part because the $706 monthly foster payments on behalf of the girl and her brother would supplement Edward Evans' job as a security guard.

Today, Aisha is in a specialized foster home, placed with a south suburban couple who have cared for other disturbed children. ChildServ–the agency that pulled her out of trouble–still handles her case.

An improbable partner

A barren industrial park behind an interstate truck stop some 90 miles northeast of Denver was the setting for one of the emerging juvenile detention industry's bellwether dramas.

Built in 1987, Rebound Corp.'s High Plains Youth Center stood as a bright emblem of private industry's promise to rehabilitate delinquent wards more cheaply and effectively than government bureaucrats ever could.

Well-trained and caring staff members were equipped with radios linking them to a 24-hour communications control center, the company

Boston Globe photo

Nightclub owner and amusement park investor Henry D. Vara Jr. gathered $1.5 million for the High Plains Youth Center.

said, and rigorous work and exercise schedules would occupy more than 99 percent of the boys' waking hours.

Today, a sagging, 14-foot-high chain-link fence guards the empty campus of sleet-gray bungalows.

Rebound's owners and staff didn't deliver on their promise to protect and rehabilitate children, who instead suffered abuses. State juvenile corrections officials never really knew who they were dealing with: a set of entrepreneurs whose previous business dealings had come under law enforcement scrutiny. In the end, the problem spilled beyond the borders of Colorado.

Illinois and some 20 other states sent troubled youth to the 180-bed compound, enabling High Plains to report income of more than $9 million a year. Illinois spent $8 million there during the 1990s.

In lawsuits that spread from Colorado to Illinois and Massachusetts, company investors have accused Rebound's directors of improperly extracting personal gain from the High Plains operation.

Chairman Marshall S. Sterman has denied impropriety and said in an interview that High Plains was shuttered last year by powerful government bureaucrats who had a vested interest in placing the youth in state-run facilities.

"We're competing with those people" in the government sector, Sterman said. "There's a lot of animosity, jealousy, what can I tell you?"

He said: "I don't think anything went wrong, quite frankly. I think the motivations behind its closing were political and personal."

Sterman is a Harvard University trained investment adviser who had been indicted and acquitted of allegations that he had taken part in a 1980 tax shelter swindle. In 1987, he got involved in the youth services industry.

A privately managed project to build and operate an adult prison in Brush, Colo., had fallen apart, and the tax-exempt municipal bonds that financed the facility were available for the deeply discounted price of $1.8 million.

Sterman gathered $1.5 million from a nightclub and amusement park owner named Henry D. Vara Jr.–in some ways an improbable partner in the field of youth services. Two years earlier, in 1985, Vara had been acquitted of tax fraud charges brought by the Justice Department's Organized Crime Strike Force, and controversy would continue to surround him.

Citing allegations that profits were being skimmed from Vara's bars, the Nevada Gaming Commission in 1989 forced an investment group to cut all ties with him before allowing the group to make a bid for the Las Vegas Sands hotel. "This is a rigidly regulated industry," State Gaming Control Board member Gerald H. Cunningham told the Sands investors during a hearing.

In an unrelated case involving Vara's racetrack interests, then-Massachusetts Gov. Michael Dukakis told several state lawmakers that his administration would not "do business with Mr. Vara."

Vara filed court papers saying he was not associated with organized crime and was being unfairly treated.

His investment in High Plains was never put in writing, court records and interviews show. Illinois and Colorado officials said in interviews that they were not aware of Vara's stake in the company.

Sterman devised an elaborate structure of related companies to operate the Colorado facility.

In 1993, Vara filed a lawsuit saying Sterman fraudulently diverted facility funds for his own benefit and engaged in "four years of lootings." Sterman says he did nothing wrong, and Vara's suit was settled in 1996 with a stock redistribution that gave Vara a greater share of the facility.

In June 1993, two subsidiaries of Xerox Financial Services won judgments totaling $5.8 million against Sterman in court cases that stemmed from complex bond deals involving the facility. Xerox alleged Sterman was funneling High Plains funds to himself and business associates "under the guise of management or consulting fees," then transferring the funds through other corporations in order to evade creditors. A Sterman-directed company ultimately used the money to pay Sterman's membership dues at the Harvard Club, as well as indulgences such as $732 worth of cigars from the L.J. Peritti Co., court filings say.

Sterman said in court pleadings that his were legitimate business expenses, and their disclosure was an effort "to harass and embarrass him."

The Colorado Department of Human Services, which licensed

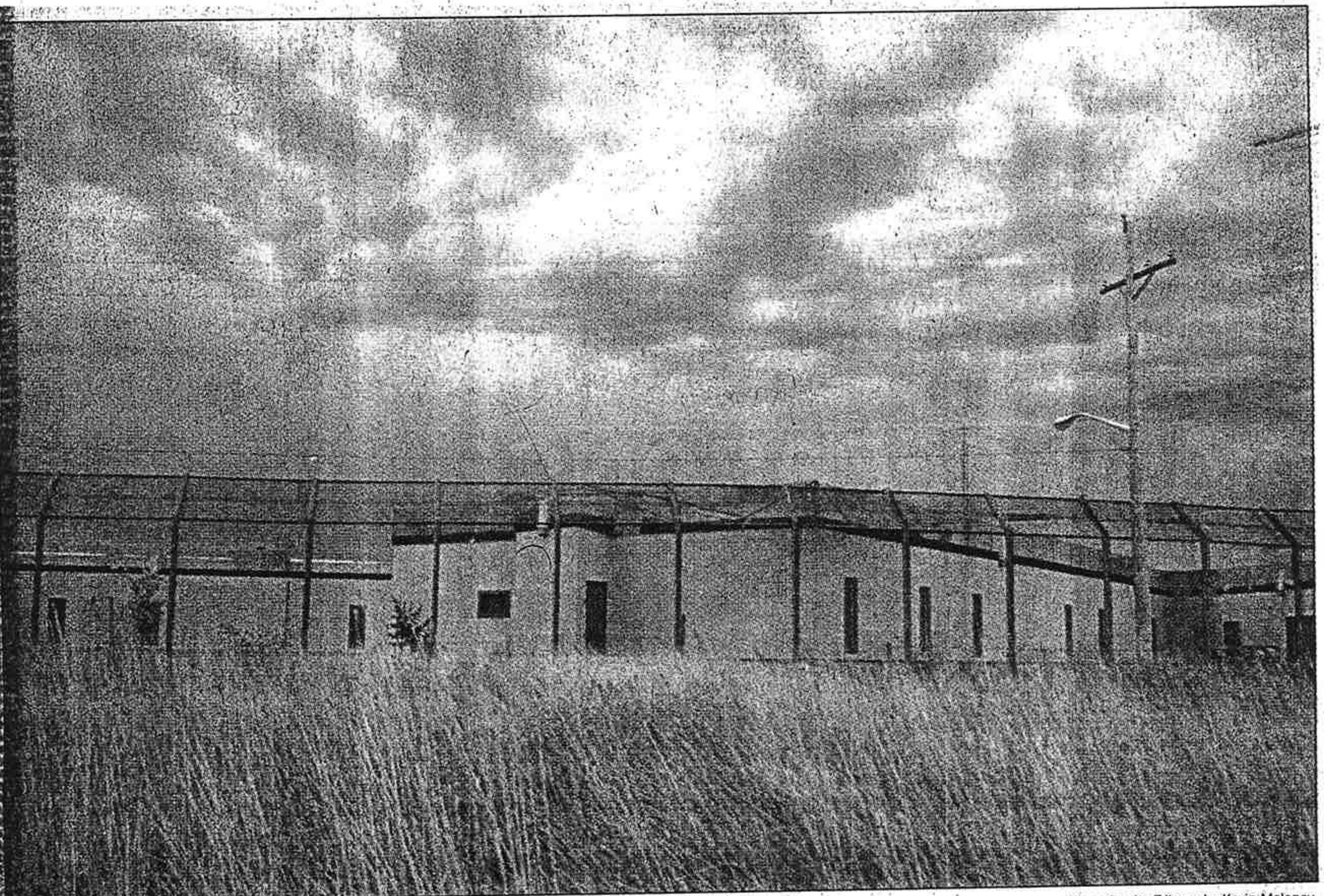


Photo for the Tribune by Kevin Moloney

$9.9 million in '97 | Revenue from Rebound's High Plains Youth Center

The High Plains Youth Center, built in Colorado in 1987 by Rebound Corp., sits vacant after operators failed to meet their pledge to rehabilitate youth.

High Plains, never tried to sort out the facility's intricate finances, spokesman Dwight Eisnach said.

"In terms of tracing where the money goes, we're not very good at that, frankly," Eisnach said. "We're not sure we fully understand what they were doing."

The oversight of conditions for children seemed little more stringent. Despite high numbers of abuse allegations and other violent incidents, the state renewed Rebound's contract every year, adding no provisions to improve performance.

A December 1995 review by Illinois inspectors found a pattern of violence and clinical malpractice at the facility, and contained this note: "One frightened resident, pounding on the door for help, was reportedly told by staff to just get back in bed. ... There is substantive evidence that this youth had been serially raped for months on this unit while staff deliberately ignored his plight."

Illinois did not take the state inspector's recommendation to remove all children from the facility, but decided to stop sending new cases to High Plains. To serve the two-dozen-or-so youth who remained and resolve old bills, the state paid Rebound more than $2 million after July 1996.

Finally in April 1998, after a Colorado investigation into a 13-year-old Utah boy's suicide at the facility turned up evidence of pervasive brutality and improper sexual relations between youth and staff members, Colorado moved to suspend Rebound's license.

Rebound sued the state, saying the license suspension was improper. The suit is pending, but High Plains stands empty.

Vara said the facility fell victim to unfair press reports, and was no worse than state-run institutions.

"I thought we were going to be able to return youth to society, and we were going to make a contribution," Vara said.

"I had brochures and things like that."

Coming Monday

The promise of privately operated juvenile prisons withers in the Florida heat.

Coming Tuesday

A Chicago foster care agency shortchanges kids as state dollars flow.

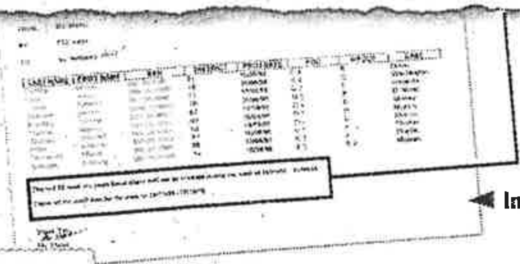
Keeping kids proves lucrative

Detention

In a September 1998 internal memo, an official from Correctional Services Corp. directed staff to hold 10 juveniles at a Florida youth prison beyond their scheduled release dates. A court-appointed monitor determined the youth were held to increase the company's income by $3,400. A Correctional Services vice president later apologized to the Florida Legislature.

Due to FTE week the youth listed above will not be released during the week of 10/05/98 - 10/09/98

Please set the youth date for the week of 10/12/98 -10/16/98



Internal memo

FINDINGS

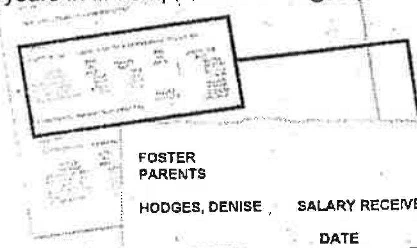
"Release dates of youth were delayed for the express purpose of having them present in the institution during the 'FTE Count Week'. This increased the education funds and the per diem costs to the state. Additionally, it is an extreme disservice to youth who are otherwise eligible and scheduled for release who were retained at the facility."

– Florida Department of Juvenile Justice Report on Pahokee, October 1998

In private youth detention centers and foster care agencies, case after case points to a fundamental collision between the traditional mission of child work–to normalize youth and move them out of the system–and the profit motive, which seeks to keep them in. Under most fee-per-child contracts, private companies have no incentive to discharge children because doing so would cut revenues.

Foster care

Illinois welfare officials paid Rev. Henry Rucker Memorial Service Inc. $7,324 a month to provide specialized care for four children under the supervision of foster parent Denise Hodges. Rucker in turn kept the bulk of the money, giving Hodges only $1,666 a month. Instead of placing the children with caring families, the Rucker agency held them for up to three years in ill-kempt South Side group homes.



Payments from Rucker to foster parents

FOSTER PARENTS

HODGES, DENISE SALARY RECEIVED TWICE A MONTH $833/TOTAL $1,666

FOSTER CHILDREN	DATE OF BIRTH	TODAY'S DATE	AGE OF CHILD	SPECIALIZED RATE
[illegible]	34948	35510	2	$2,323.40
[illegible]	34181	35510	4	$2,323.40
[illegible]	34219	35510	4	$2,323.40
[illegible]	34279	35510	3	$354.00
				$7,324.20
			SALARY	$1,666.00
			DIFFERENCE	($5,658.20)
TOTAL AMOUNT THAT SHOULD HAVE BEEN PAID				($62,240.20)

FINDINGS

"I do fear these children are being purposely stifled here by Rucker which probably receives tons of money for all of them. I also fear the agency may not be actively seeking adoptive homes for these children. Ms. Hodges indicated to me that she receives $1,600 per month from Rucker for all four children. Rucker gets $2,600 a month for Andre alone."

– Public Guardian memo titled "Suspicion of Fraud by Reverend Henry Rucker Memorial Services Organization"

Note: Names have been obscured to protect children's identity.

Sources: Florida Dept. of Juvenile Justice, Illinois Dept. of Children and Family Services, Cook County Public Guardian

Chicago Tribune/David Constantine, Phil Geib

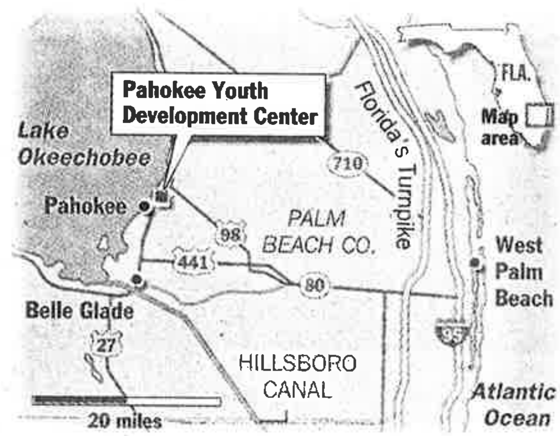
Broken teens left in wake of private gain

Second of a 3-part series.

By David Jackson
TRIBUNE STAFF WRITER

On a sun-drenched Sarasota morning in February 1995, Florida contractors applied for permits to build a home suitable for the executive who would take charge of America's largest chain of for-profit youth prisons.

Nestled beside a golf course in a luxury subdivision, James F. Slattery's house would feature cathedral ceilings, an ample pool patio and a Jacuzzi in the master bedroom suite, the building plans show.



At the outskirts of an impoverished Central Florida town some 125 miles to the east, amid the sooted fields and factories of the nation's fifth largest sugar producing region, workers for Slattery's Correctional Services Corp. also began building that year.

This project would be called the Pahokee Youth Development Center.

The for-profit youth prison would house 350 delinquents at a cost to the state of $86 each per day, bringing roughly $9 million a year to the company Slattery co-founded.

At a ceremony to announce Pahokee's opening in December 1996, Slattery predicted his company's new facility would serve as a national prototype, saving tax dollars and providing a solution to the vexing problem of dangerous youth. Correctional Services "has transformed the landscape of juvenile corrections," Slattery said.

Instead, Pahokee became an emblem of the private juvenile detention industry's fast profits and forsaken promises, a harsh lesson in the social costs of turning over delinquent children to bottom line-driven corporations.

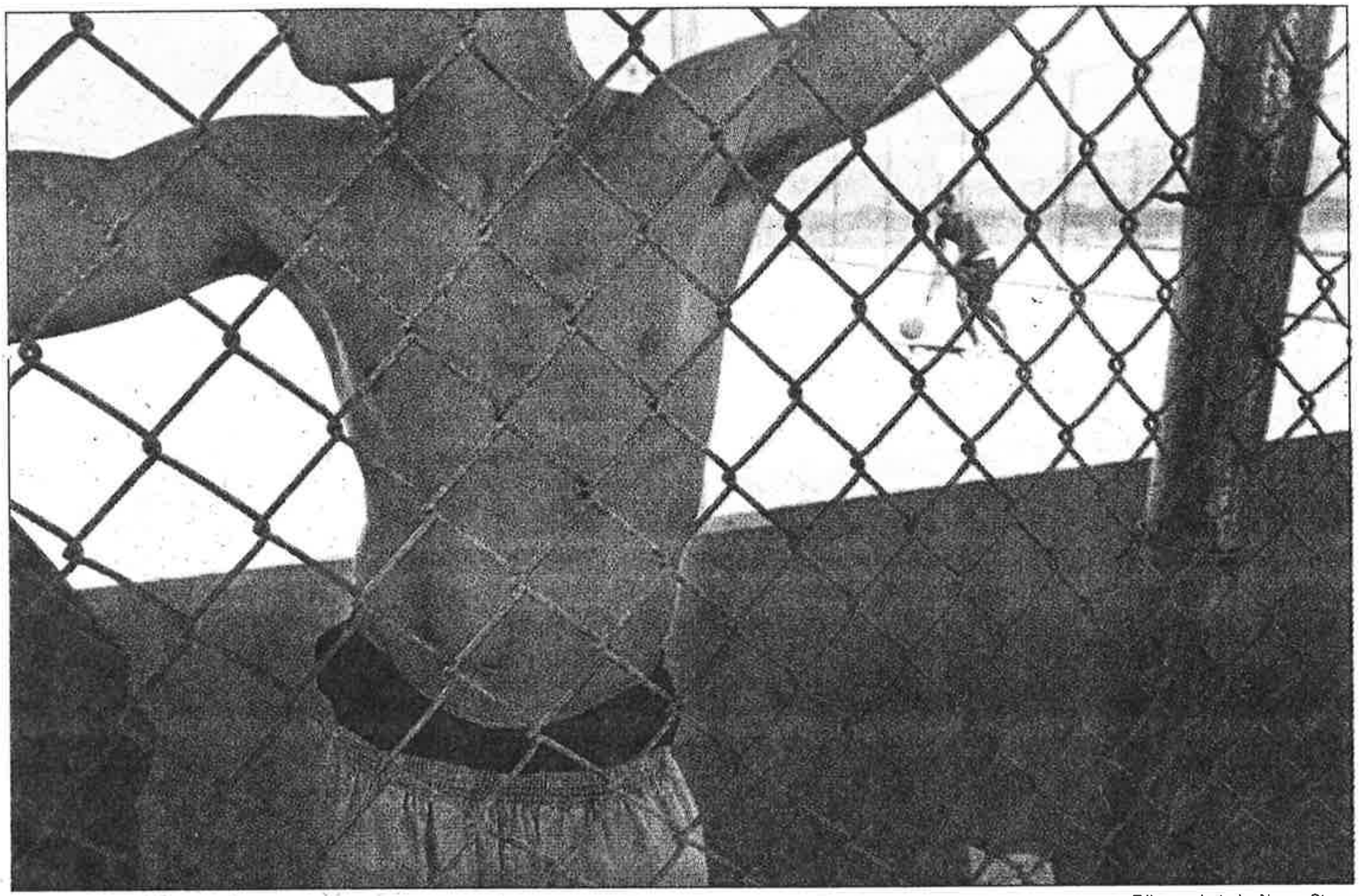
Pahokee workers staged gladiator-style matches in which 13- and 14-year-old inmates beat each other bloody while their peers watched, internal facility records and interviews show. Pahokee officials said in interviews that they did not know how often the fights–known to workers and inmates as "The Main Event"–were staged because no incident reports were written.

Correctional Services held juveniles beyond their scheduled release dates to increase the company's income from the State of Florida and billed the government for schooling the company didn't provide, reports filed by state monitors show.

Company cost-saving measures led to the hiring of ill-prepared employees, Correctional Services executives said in interviews.

"Really what we're getting is people who,

SEE PRIVATE, PAGE 8



Tribune photo by Nancy Stone

In Florida's sweltering summer heat, young inmates hang out and play basketball at the Pahokee Youth Development Center, where workers allegedly staged gladiator matches between young inmates, who would beat each other bloody.

There's a lot of money to be made

States typically pay private companies over $75 a day for each young inmate.

CONTINUED FROM PAGE 1

if they didn't work here, would be working at the local Burger King or out in the fields," said Correctional Services Administrator Norman L. Townsel Jr., who ran the Pahokee facility until spring, when the company transferred him to a Maryland youth prison.

Townsel and other Correctional Services officials said the facility their company designed and built with more than $15 million in state funds was far too small to serve the 360 inmates Correctional Services housed in it.

"I'd like 175 to 225–265 max," Townsel said.

Pahokee was constructed on a solid foundation of political contributions. Starting in 1994, when Correctional Services began planning the facility and two other youth centers in Florida, the company funneled $140,000 into the campaigns of Florida politicians, hired three Tallahassee lobbyists and put Pahokee's mayor on the company payroll, Florida records show.

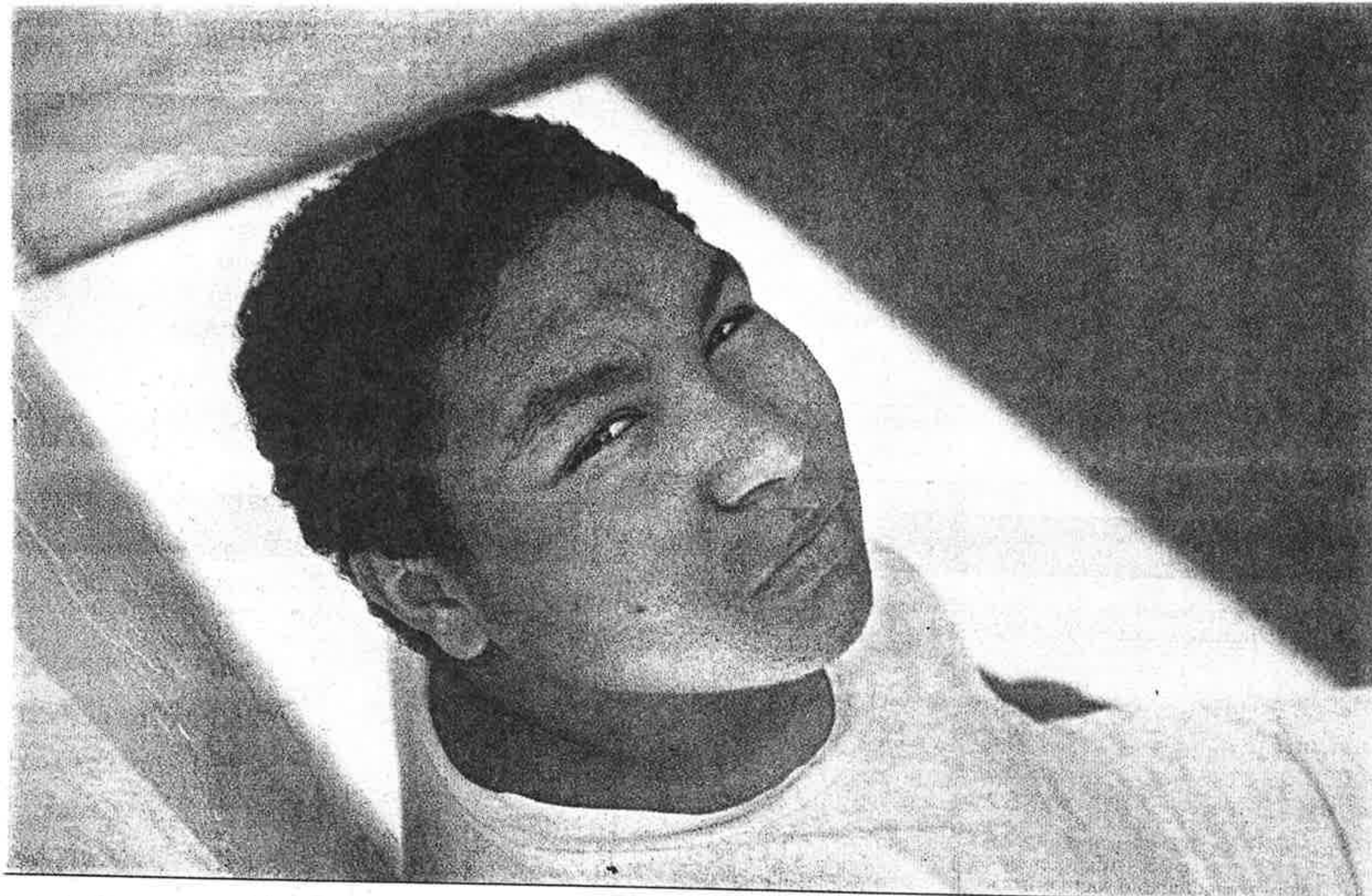
Such raw political horse-trading has marked the meteoric rise of Slattery. He and partner Morris Horn earned millions of dollars from a 1980s government program to put welfare families in New York City transient hotels, then jockeyed to the forefront of the burgeoning for-profit juvenile detention industry.

Correctional Services revenues have increased sevenfold in the last two fiscal years, rising to $228 million from $31 million in 1997. Some $150 million, or two-thirds of the company's annual income, comes from government youth programs while the rest is derived from facilities that house adult inmates and immigration service detainees.

The company's growth came as record numbers of orphans and delinquent youth poured into America's juvenile courts, and overburdened government agencies increasingly handed off the children to privately run youth jails, boot camps, group homes and foster agencies.

Now the nation's largest private provider of programs for adjudicated youth, Correctional Services houses 4,200 children at 37 facilities in 16 states. Only five state juvenile prison systems house more youth than the Sarasota-based corporation.

Slattery said competition in the private market has raised standards for all youth prisons and created more effective programs.



Tribune photos by Nancy St

86/day | The amount a private prison received for Marcos Cruz

Fifteen-year-old Marcos Cruz lives with his mother after many devastating months at the Pahokee Youth Development Center, where medical records show he was beaten and neglected. He attempted suicide several times. Florida paid $86 a day for Cruz's care.

"We see it working time and time again," Slattery said. "If you take a look at the big picture, you cannot help but be impressed by the growth of the industry and the growth of my company." And more and more states are turning to privatization, he said. "Trends like that don't last unless there's a valid reason for it."

While privatization has existed far longer in adult corrections, the draw of the youth detention market is easy to see: States typically pay the private companies more than $75 per day per young inmate–and sometimes more than $300 a day for specialized programs–compared to an average adult per diem rate of $35 to $45.

Today, just under 40 percent of the 126,000 youth in America's detention centers are in privately operated facilities, compared to less than 10 percent of adults.

But profit margins can be slim in the juvenile detention industry, where companies are expected to provide counseling, schooling and life-changing rehabilitative experiences. So while the market's leading firms have gobbled up fresh contracts, some have failed to manage safe and effective programs, and allegations of systemic abuse have come to light in some of the industry's best-known facilities.

"It's not easy to pull it off," said Michael Hughes, an analyst with J.C. Bradford & Co., a financial firm that has advised Correctional Services. "Running an adult program is not easy, but it's easier than running a juvenile detention center."

After a 16-year-old Sacramento boy collapsed and died at the Arizona Boys Ranch in March 1998, a California state review found Nicholaus Contreraz suffered serious medical neglect and open abuse at the detention facility. The U.S. Department of Justice has launched a civil rights investigation.

Wackenhut Corrections is fighting a federal lawsuit over an alleged series of rapes of inmates at its all-female Coke County Juvenile Justice Center in Bronte, Texas.

And in November, the Justice Department sued Louisiana for allegedly failing to control the 680-bed Tallulah Correctional Center, a privately run facility embroiled in allegations of brutality and inadequate schooling and mental health services. Tallulah was turned over to Correctional Services, but reports filed by a court-appointed monitor show the problems continued. On Sept. 14, guards walked away from their posts to protest pay and working conditions, and last week Louisiana's Department of Public Safety announced it will take over the facility.

Correctional Services issued a news release saying the contract ended because the state refused to refer enough youths or provide enough funds to make Tallulah profitable.

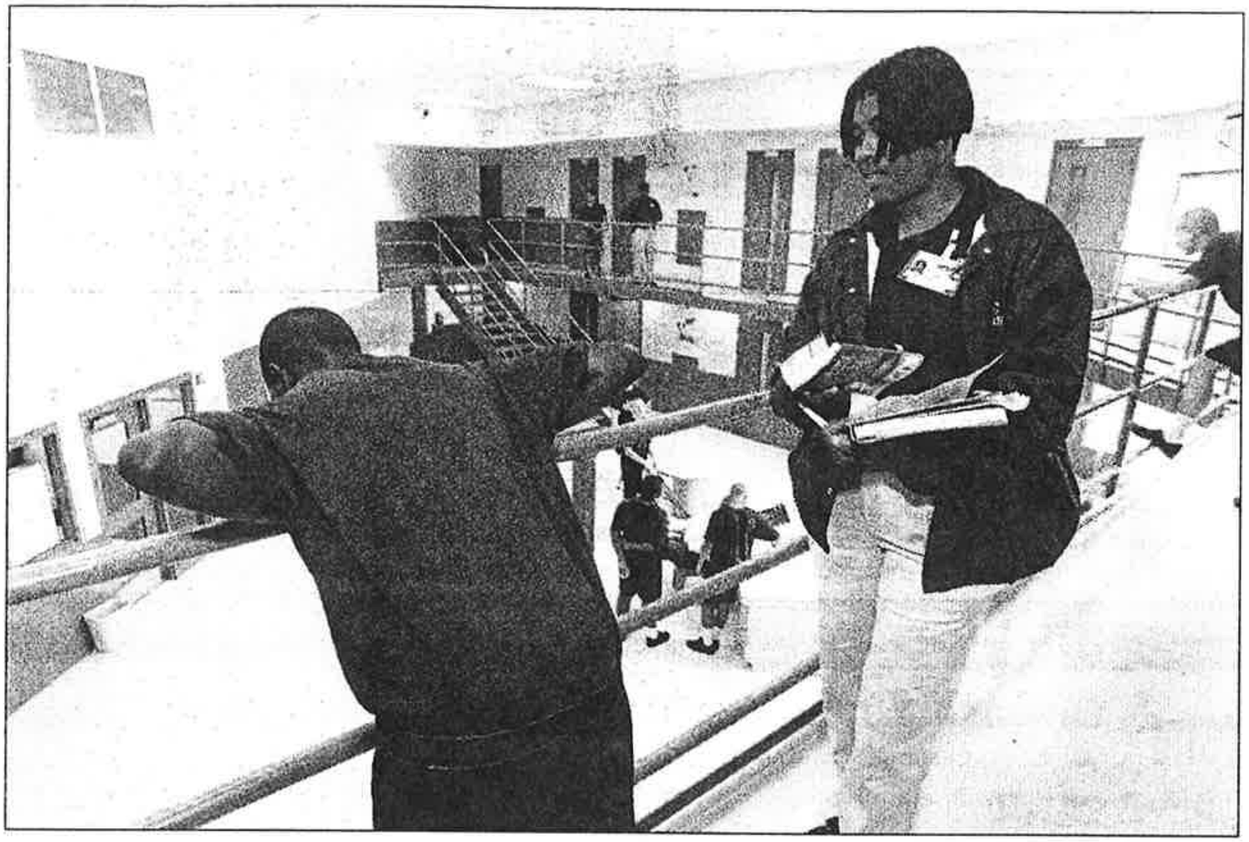
Another setback for Correctional Services came on Aug. 23. After the Pahokee facility failed its second state review in a row, Slattery's company ended its contract eight months early, issuing a short statement explaining that the youth prison had not met earning expectations. Florida and Correctional Services officials are collaborating on an emergency phase-out that is expected to continue through October.

Slattery's promise to transform the landscape of juvenile corrections had collapsed, leaving an unsettling question: What went on inside that place?

A rougher person

Set among the emerald sugar fields that stretch to the sky's rim, the Pahokee Youth Development Center glitters like a tiny jewel box.

Its five buildings are set in a tight ring, painted blue and tan and girdled



Debra Osborne, a Pahokee youth care worker, talks to a young inmate overlooking the area where so-called gladiator matches allegedly were held with staff consent at the detention center.

with layers of 16-foot-high chain-link fence and scrolls of razor wire.

Eight palm trees flank the front entrance. A breeze snaps the flags of Florida and the United States.

Directly behind the facility, four plumes of smoke and white steam billow from a 37-year-old sugar mill. Field workers burn broad sections of the cane to prepare it for the cutting machines.

The sky smudges as gulls and herons wheel behind the smoke, noisily harvesting the scattered bugs. Leaves of translucent soot float through the youth compound like torn kerchiefs.

Halfway across the state, on the sagging front porch of the Tampa home where he lives with his mother and two sisters, 15-year-old Pahokee graduate Marcos Cruz runs the fingers of his right hand over the scars that ripple along the forearm of his left.

"I was scared to be there," Cruz says. "It made me a rougher person."

Cruz was 14 when a juvenile court judge placed him in Pahokee in March 1998 because he scraped his sisters with a knife during a family argument. The boy had accumulated other criminal charges that, together with a chaotic home life and his inability to cope at school, made him an ideal candidate for the therapy-rich environment Correctional Services promised.

By the time Cruz arrived at the intake unit and Pahokee workers shaved his head and issued his baggy blue T-shirt and denim shorts, the facility already had a gritty reputation.

In a series of 1997 court hearings that examined conditions at the facility, young inmates told Dade County Circuit Judge Steven D. Robinson that staff members assaulted them, shackled their wrists and ankles together and placed them in solitary confinement cells without mattresses, books or anyone to speak to for days at a time.

"You got a staff that likes to test your anger. It's like a treatment thing," a 14-year-old car thief testified.

Correctional Services did not begin keeping a log of confinement-room use until May 1997, after the facility had been open for five months.

The state appointed a monitor, and the monitor discovered an internal Correctional Services memo directing the staff to hold 10 juveniles beyond their scheduled release dates to increase the company's income by $3,400.

Correctional Services Executive Vice President Michael Garretson apologized to the state Legislature.

Before Cruz was incarcerated, a court-ordered psychological assessment had strongly recommended that he be given intensive, individualized therapy.

Instead, Pahokee files detail the sure disintegration of a boy subjected to grinding violence by staff and peers.

Shortly after Cruz arrived at Pahokee in March 1998, he showed up at the facility's clinic with a bloody face. He was given an ice pack and told not to blow his nose, medical records show.

A month later, Cruz was placed on suicide watch. "He was scared and so he attempted to harm himself," a Pahokee worker reported.

A month after that, Cruz was beaten and tormented by a boy who stuffed his ears with wet toilet paper. Sent back to his cell after his cuts were dressed, Cruz tried to hang himself. "He feels the other kids are treating him bad," a Pahokee medical note said.

Later that month, Cruz hurt his

"The youth run the place," said former guard Christopher Young, who was accused of helping to stage "The Main Event," a charge he denies.

knee and cut himself during a fight. Three days after that, he injured a hand. In another suicide attempt the next day, Cruz tied a sheet around his neck and tightened it by swiveling his body, Pahokee records show.

A few days later, Cruz complained about an injury to his right hand after a staff member restrained him. He was given ice and an Ace bandage. It took another day and more complaints from Cruz before anybody at the facility discovered his right hand had been fractured.

Two-and-a-half weeks later, Cruz removed his cast himself because the skin beneath it stank.

That July, during the fourth month of Cruz's incarceration, his 23-year-old case manager wrote a memo outlining the boy's progress:

"Staff on the pod has ... tired of him acting as if he is depressed all the time," the memo said. "When he does not get his way, he tries to hurt himself."

In August 1998, Cruz got into a shoving match with another youth as they left the canteen with their unit. The four staff members on duty walked the 48 boys back to their locked pod.

There, under the supervision of Correctional Services workers, Cruz and the other boy squared off on the Echo Unit floor and pummeled each other for seven to 10 minutes, internal Pahokee memos show.

No incident reports were filed that night and neither boy was taken to the clinic, facility records show.

Confronted with two battered inmates the next morning, facility administrators alerted state officials and suspended–then fired–the four staffers. A misspelled Pahokee memo explained that a gladiator event had led to the injuries: "Youths states that staffs call it the MAIN EVENT."

One of the workers fired that August night, Pahokee team leader Christopher Young, was 19 years old when he was hired for $7.69 an hour to rehabilitate delinquents. Before that, Young stocked shelves at a Winn-Dixie grocery.

"To me, the youth run the place, if you want to tell it," Young said in an interview from his Belle Glade, Fla. home.

Young denied staging the fight but said battles between inmates were commonplace because the boys gamble constantly. Playing basketball, cards or dominoes, they barter for the only commodity they have: snacks. The young inmates don't have much choice about participating, or the way their unpaid debts come due in violence, Young said.

"Broken jaws, missing teeth, bust heads–the fights are about snacks," said another of the fired workers, Anthony Bowie. "The kids are running the facility."

On Sept. 7, Cruz was taken to the doctor again after being subdued by a youth worker. He had scratches on his neck and a headache. The worker said Cruz fell.

In October 1998, Cruz was released and returned to his family in Tampa. The facility's problems dragged on.

That month, a young offender who had been placed on suicide watch sneaked past a Correctional Services worker napping in front of his cell, tied a sheet around his neck and jumped from the second floor of the dormitory. As the youth dangled from the sheet, a female worker released him in a manner that made him fall and strike his head, state investigative records show. The youth was given an ice pack and returned to his cell. There, he began foaming at the mouth and had a seizure. Finally, he was taken to Glades General Hospital.

Also that month, a female youth worker was dismissed after she gave a youth a greeting card that said, "I care for you like I shouldn't, but we'll make it."

Another female worker was dismissed a month later for allegedly giving her home phone number to an 18-year-old offender, facility records show. The month after that, another 22-year-old youth worker was dismissed from her $6.75-an-hour job when her romantic interest in an offender came to light.

In a February 1999 incident, a worker punched a youth in the mouth, then told other workers restraining the boy to let him go so he could "beat his ass."

The state inspector general determined that month that the youths' room doors did not lock properly, allowing them to exit their cells at will.

To feed the growing 13- and 14-year-olds, Correctional Services paid a food service subcontractor $1.49 per meal, contract papers show. Meats were scarce on the menu, dietitian's records show: On a typical Tuesday, breakfast included one ounce of grilled bologna, lunch featured three ounces of sliced ham and for dinner, the boys were allotted two ounces of turkey.

The dining room can only hold 48 inmates at a time, so some were fed in their units, which became infested with insects and vermin.

In April, the state announced it was asking for the return of $100,000 paid to the facility school for services not provided. In one instance, a monitor discovered the school was closed for 13 days last fall without the local district's knowledge.

As the summer wore on and problems persisted, the state dropped Pahokee's population to about 200 youths, although contract provisions ensured Correctional Services was paid for a minimum of 315.

Five facility administrators had come and left, along with a round robin of psychologists and medical personnel. Therapy records were spotty, monitoring reports show. Some young inmates were being given psychotropic medications when they had not been seen by a psychiatrist, and some who needed the medication got none, said Legal Aid attorney Barbara Burch, who represented youths at the facility.

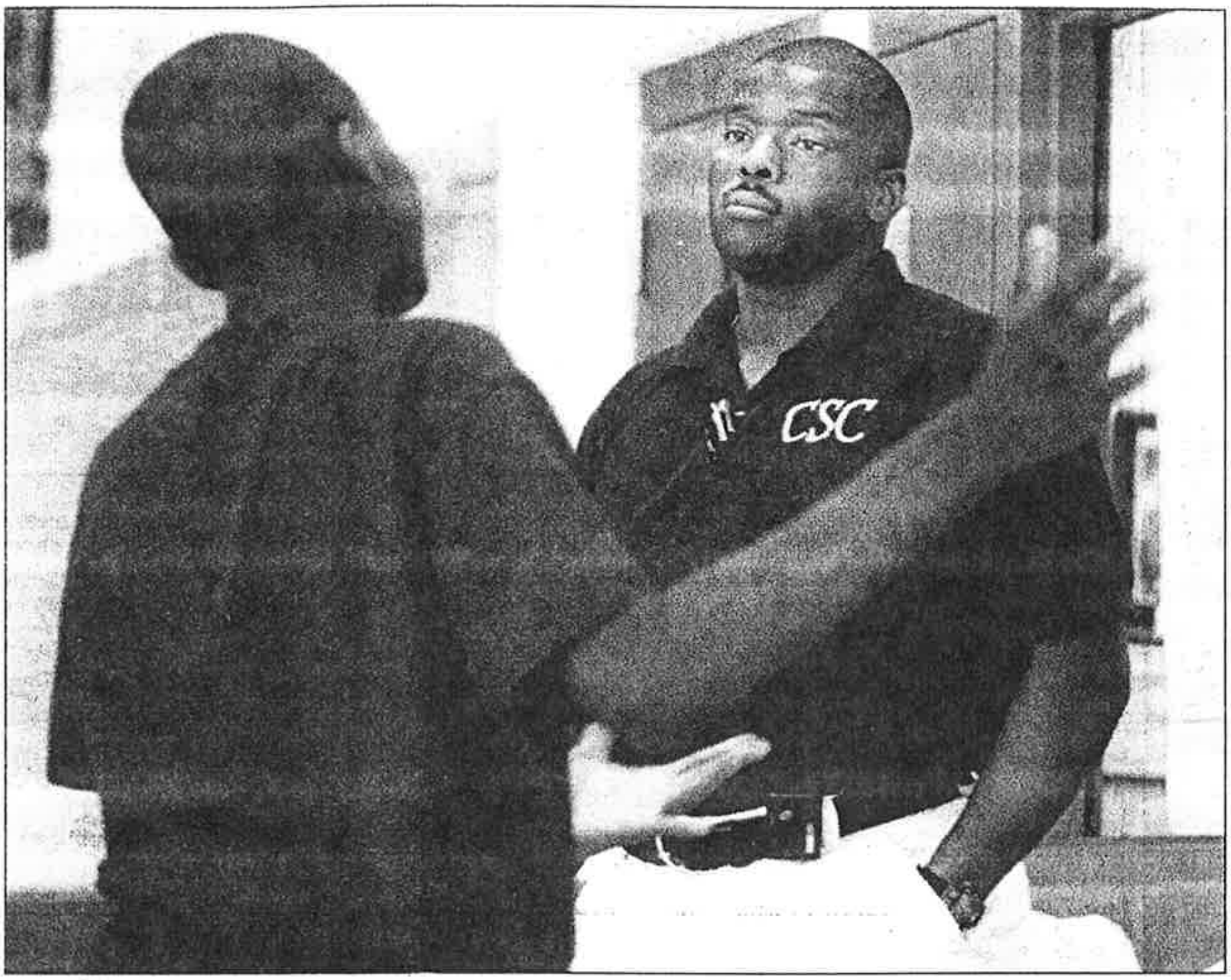
It seemed, she said, the state had forgotten the youths placed in the private prison. "Out of sight, out of mind," Burch said.

Florida juvenile justice officials said they closely monitored Pahokee and sent in experts to train staff in February and March.

In June, Pahokee failed its second comprehensive state review, getting poor ratings on security, schooling, case management and counseling. Correctional Services' contract lasted only two more months.

Building an empire

After World War II concentration camp survivor Jacob Hornczyk landed at Ellis Island in 1951, he changed his stout, European signature to a slashing script and his name to Jack Horn, immigration papers show. Over the next four decades, Horn



Karl Hodge, a Pahokee superintendent, listens to a young inmate. Youths often complain about food portions, which on a typical day include 6 ounces of meat spread over three meals for each 13- to 14-year-old boy.

built a small empire of New York City hotels.

In one of them, the Midway in Queens, 18-year-old assistant manager James Slattery met Horn's 20-year-old son, Morris.

The Irish Catholic and the Orthodox Jew forged an enduring friendship that became the foundation for a multinational company. Building political ties and winning emergency government contracts even as they garnered complaints from citizens and regulators, Slattery and Horn used their aging transient hotels as welfare shelters and halfway houses for convicted felons, then ran immigration service detention centers, before expanding into youth prisons in 1992.

None of their businesses was popular, and together, Slattery and Horn faced down protests outside Horn's home, lawsuits from partners, law enforcement probes and employee blackmail threats.

When he died in 1994, Horn left a $21 million estate that included a $1.2 million condominium in Jerusalem, as well as an ownership stake in 45 businesses ranging from a Queens hotel to Correctional Services Corp., probate records show.

He was buried outside West Jerusalem. "I miss him," Slattery said, his voice dropping.

Although he owns an estimated $6 million in Correctional Services stock and last year took salaries and benefits totaling $500,000 from the company he co-founded in 1987, Slattery still draws a few thousand dollars every year from his interest in the Le Marquis Hotel on East 31st Street in Manhattan, where Correctional Services housed state and federal inmates.

In April, Slattery completed the merger that vaulted Correctional Services to the top of his industry, swallowing corporate rival Youth Services International Inc.

At the time a better known company, Youth Services became an emblem of the industry's lavish profits.

Founded in 1991 by former Jiffy Lube Chairman W. James Hindman, Youth Services saw its annual revenues soar to $108 million in 1998.

Youth Services trained its employees through a $860,000-a-year contract with a program owned in part by Hindman's son. Chairman Timothy

Cole had been paid a $550,000 annual salary, generous stock options, a $45,000 allowance for automobile and country club fees, and perquisites such as $55,000 to relocate from Florida. As part of the merger with Correctional Services, Cole was paid $1.1 million to end his contract and another $200,000 to ensure he wouldn't compete with the new company.

At Youth Services' flagship facility–the Charles H. Hickey Jr. School outside Baltimore, which reaped $15 million a year to house delinquents from the District of Columbia and Maryland–a counselor assigned to the sex offenders' unit was left alone with a violent inmate who raped and beat her; her two-way radio didn't function, a Baltimore County lawsuit said.

A 16-year-old accused of auto parts theft filed another suit saying he was raped after he was assigned to a room with a violent 18-year-old; the duty guard did not make out an incident report until several months later. In June, a nurse was raped at the facility, and since then Maryland legislators have been evaluating Youth Services' contract.

Correctional Services came out of the merger a powerhouse. Opening 12

Correctional Services Corporation

Since it was founded in 1987, Correctional Services Corp. has changed its name and shifted its corporate direction several times. Today the company is America's largest provider of services to delinquent youth.

KEY TO CSC FACILITIES: • Juvenile • Adult

CSC timeline

1987

James F. Slattery and Morris Horn found a company called Esmor Inc. and win New York City contracts to house welfare families in transient hotels.

1989

Esmor wins the first of several state and federal contracts to house convicted felons in its hotels.

1994

Esmor operates two detention centers for immigration service detainees, one in Seattle and the other in Elizabeth, N.J.

1995

Detainees riot at the Elizabeth facility. The company ends its contract.

1996

Esmor's name is changed to Correctional Services Corp.

1997

Correctional Services opens the Pahokee Youth Development Center, a 350-bed juvenile prison in central Florida.

1999

- **April:** Correctional Services merges with Youth Services International, making it America's largest for-profit juvenile prison operator.
- **August:** After failing state inspections, Correctional Services withdraws from its Pahokee contract eight months early.

Chicago Tribune/David Constantine, Phil Geib

juvenile and six adult facilities, the company's revenues for the first six months of 1999 grew to $120 million.

The man in charge of the company's youth programs has seen privatization from both sides: Correctional Services Vice President Jim Irving used to run Illinois' overcrowded juvenile prison system, which relies almost entirely on state-managed facilities.

A recent stint of coast-to-coast contract lobbying efforts had taken him through more state capital airport hotels than he could name offhand. But without pause, Irving recited the public benefits of for-profit youth prison companies.

"If I want to raise salaries, we raise salaries," he said. If a project is needed, "we start on it the next day. It's a much trimmer ship.

"If the kids don't learn, we don't get paid," he added.

But Irving acknowledged that the abuses at Pahokee stemmed in large part from cost-saving decisions, such as lowering its bid to win the Pahokee contract.

"You had people drawing up the staffing patterns, non-correctional people who had no idea what needs are critical. It helped with the pricing, but it killed us from an operational standpoint," he said.

Many of those who work in the facilities run by Correctional Services are there because they want to help children, but those who set policy have another motive, he said. "We didn't get into it for profit," he said, "but the people who started these companies did."

After he joined the company, Correctional Services executives issued Irving a hardbound copy of a business management guide called "The Profit Zone."

Irving pulled the book from his briefcase and stared at its bold cover.

"It's two worlds," Irving said. "I'm sitting here reading this stuff like, Whoa! This isn't why I got into this."

Will those two worlds–serving youth and making profits–ever coexist?

Irving laughed, and put the book back in his traveling bag.

"I guess we're going to find out," he said.

Correctional Services, alone among its competitors, has gained a toehold in Illinois, where state laws limit the involvement of profit-making youth detention companies and child welfare officials have severely curtailed placements in out of state detention centers.

Since July 1998, Correctional Services has earned $2 million a year to operate a transitional living facility for 50 paroled delinquents in the former Chanute Air Force Base in Rantoul. In recent meetings Correctional Services has sought to convince officials of the overcrowded Illinois system that the Rantoul contract should double in size.

"We said, we're here to help you," Irving said.

A friend in the mayor's office

In October 1995, while Correctional Services was building the Pahokee facility, it put Pahokee Mayor Ramon Horta Jr. on its payroll as a $60,000-a-year project manager.

The private company paycheck helped Horta resolve some personal financial complications. In 1994, an American Express credit card company won a court judgment to collect $7,613 from Horta, and a New York company demanded the return of a Multi-Freeze Baby M Soft Serve Yogurt Machine leased to a pizzeria he ran on the side.

Before the yogurt machine lawyers filed papers to garnish his personal bank account to collect $6,117 in unpaid bills, Horta wrote a heartfelt, misspelled letter explaining that he fell behind on payments "do [sic] to the bad economical sates [sic] of our surroundings."

The answer to his problems and his town's financial woes proved to be the same: a 350-bed for-profit youth prison.

Horta had lobbied hard for the facility. In October 1994, he stood before the Palm Beach County Board of Commissioners and pleaded for a $300,000 grant to help the town secure a suitable site.

"I'm not standing here, I'm kneeling," Horta told the commissioners.

Five months later, Correctional Services won the bid to build and operate the state-financed youth prison.

Nine months after that, on Dec. 29, 1995, Slattery sent Horta an invoice to the City of Pahokee for $300,000 for "demucking" the site, or scooping the silt from it, "per our agreement," town correspondence files show.

Slattery sent the invoice to Horta at his City Hall office, addressing the cover letter to "Dear Mayor Horta," although the mayor was on his payroll at the time.

A few days later, the Palm Beach County commissioners released the $300,000 grant to the City of Pahokee, and the cash-strapped city turned that money over to Slattery's company.

In a recent interview, Horta said there was nothing unethical about his dual role. He said Correctional Services hired him in part because "they saw I had a lot of political connections."

"(Florida Gov.) Jeb Bush is a close friend of mine," he said.

Slattery said nothing improper was done in the transfer of the $300,000 grant. He said Correctional Services used the money to build a road the city had promised.

"If you have difficulty understanding that, then you got a problem," Slattery said.

Actually, it was the town that benefited, Slattery said. "Pahokee was getting the opportunity to have a base of jobs that was desperately needed."

As for hiring Horta: "I did it all above board, out front. There was no kind of behind the scenes interference there."

That grant was just one of several subsidies government agencies extended to build the profit-making prison–and a reminder of why it is so difficult to document Correctional Services' claim that the private youth prison saved tax dollars.

Correctional Services oversaw the construction of the facility, for example, but the $15 million in building costs were financed with state revenues.

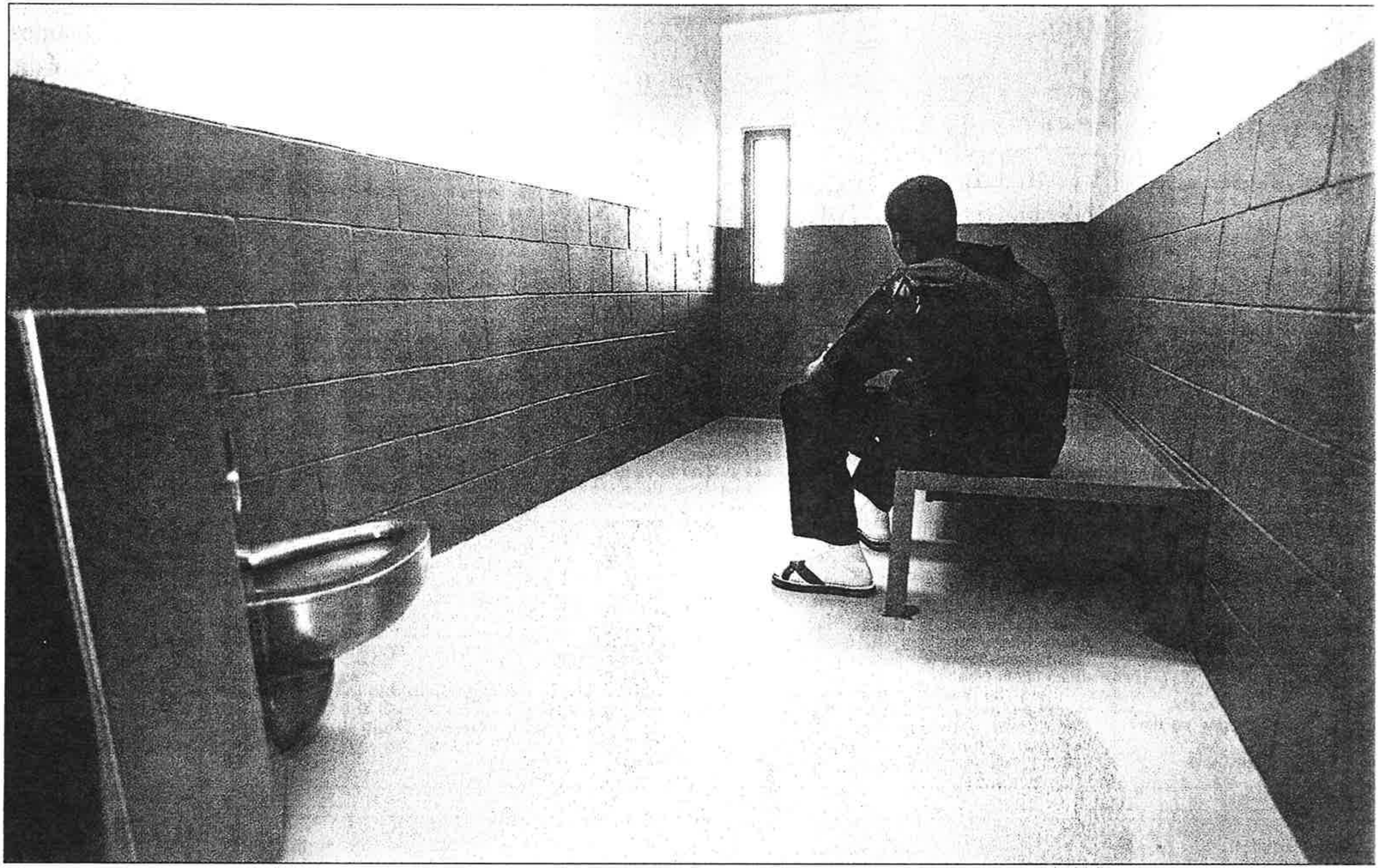
Correctional Services did not pay for the land on which it built the youth prison. The City of Pahokee acquired the land by paying $200,000 to the school board in a complicated land swap with a local farmer, Palm Beach County records and interviews show.

In 1997, a Pahokee citizen wrote a letter to the Florida Ethics Commission asking whether Horta had a conflict of interest because Horta was being paid by the city and the private prison company that was getting city assistance.

Horta told the commission his efforts "were made solely on behalf of the city and its residents." His successor as Pahokee mayor, John Norman, said Horta "avoided having anything to do with the project" when Horta was mayor. The Florida attorney general exonerated him.

In January 1998, Horta resigned from city government by sending a fax from his Correctional Services office in Puerto Rico, where the firm runs a youth prison.

At the time, Palm Beach County court records show, Correctional Services was paying Horta a $73,000 salary and bonuses of more than $50,000.



Tribune photos by Nancy St

An inmate at the Pahokee Youth Development Center sits in a bare cell with only a bed frame and a toilet. Inmates complained about excessive confinement.

Kids lose out as agencies rake in cash

Third of a 3-part series.

By David Jackson
TRIBUNE STAFF WRITER

Miavria Thornton Rucker threw down her credit card and charged it to Chicago's most destitute children.

She spent accounts set aside for abused and neglected infants on a $1,051 ensemble from Bigsby & Kruthers and $1,107 worth of upscale accessories from The Sharper Image.

Her South Side foster agency used state child welfare funds to buy certificates of deposit worth $570,000, then spent those CDs in ways state auditors could not trace.

Illinois officials entrusted Rucker's company with 289 imperiled children–cocaine-poisoned newborns and toddlers rescued from brutal and negligent parents–and gave her agency $9 million to provide those young people with specialized care and stable homes.

Those were precious burdens to place in the hands of the church organist and her husband, a minister who headed the influential One Church–One Child adoption program.

But in Illinois and across the country, record numbers of orphaned and delinquent children were pouring into state custody during the 1990s, and government bureaucrats were failing to handle the mounting caseloads. Like other states around the country, Illinois began to withdraw from direct care of foster children and parcel out the children to private agencies.

Along with the children, state officials gave the firms some of government's most far-reaching responsibilities, putting them in charge of licensing foster homes, policing other service providers and ensuring that state wards were safe and making progress.

Agencies such as the Rev. Henry Rucker Memorial Services organization promised to swiftly place the most troubled children in loving foster homes.

To herald this new era, then-Illinois child welfare director Sterling "Mac" Ryder invited television news crews to the opening of the Rucker agency's first group home in 1994.

Four years later, state workers hastily removed the last of the children from Rucker's control and demanded the return of $3.4 million in what auditors called unexplained or improper spending by her agency.

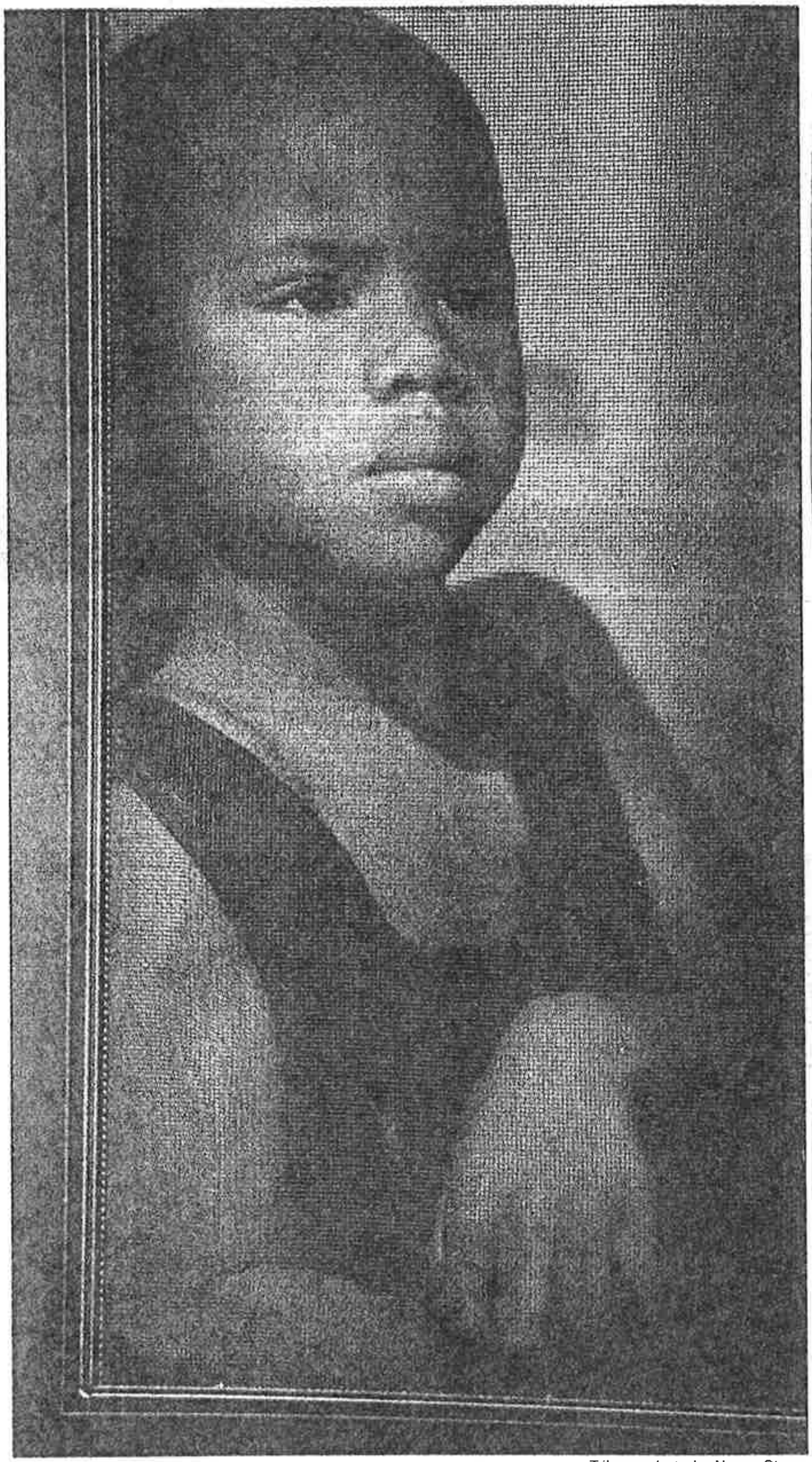
This was not put on TV.

The Rucker agency's breathtaking rise and collapse draw back a curtain on the otherwise hidden precincts of American child welfare during the 1990s. Promising community involvement and corporate efficiency, companies such as Rucker's raked in public funds while passing youngsters down to a little-monitored netherworld of subcontractors who installed rows of cots in their houses and ran group

SEE YOUTH, PAGE 14

Chicago Tribune

Chicago Tribune, Tuesday, September 28, 1999



Tribune photo by Nancy Stone

Former foster child Jordan Schmidt, now 6, looks out from a screen door at the home where he spends summers with his new family.

homes that differed little from the orphanages of the past.

"The children was allowed to be whupped, which was wrong," said Brenda D. Bland, a worker at one Rucker home.

To provide specialized care to Andre Thomas—a playful infant placed in state custody at birth because his parents had abused and neglected his four siblings—Illinois child welfare officials paid Rucker's company $2,895 a month.

Instead of placing the infant with a caring family, the Rucker agency shuttled Andre for three years through a series of group homes in which he contracted tuberculosis, ringworm and a persistent ear infection, his case files show.

Andre finally was placed in February 1997 with a woman who would adopt him and rename him Jordan.

When his new mother first reached for him, he lifted his hands to shield himself. For months, he tried to eat out of her garbage can.

Jordan's experience was mirrored in dozens of agency case files reviewed by the Tribune.

Miavria Rucker declined to answer questions about her agency or the fate of children like Jordan.

"All the records are public, so why don't you just look at the records?" she said, pulling her office's glass door shut.

America's burgeoning youth services market—which includes foster care and youth prisons—has spawned a handful of corporate behemoths, some of which handle thousands of children in facilities spread from coast to coast.

But in states like Illinois, where child welfare laws limit the involvement of profit-making companies, a legion of community-based non-profits have sprung up to capture the multimillion dollar contracts.

The youth services industry has seen instances of impressive achievement and bright signs of promise. But in numerous cases, personal greed and the financial interests of private companies have been injected into one of government's most sensitive duties: standing in place of failed parents and raising their unwanted children.

"DCFS has farmed out foster service contracts to fly-by-nights, to churches, to community organizations that know how to run boys' clubs and basketball programs but don't know a thing about providing foster care," said Bruce A. Boyer, supervising attorney at the Children and Family Justice Center at Northwestern University Law School.

"With privatization, my experience is that, overall, the quality of services being delivered to kids has gone downhill."

Illinois and other states have only slowly begun to monitor the private agencies.

When the Tribune requested Illinois child welfare computer files tracking the 289 children placed with the Rucker agency, state data managers were able to locate only 252 of those youths. Jordan was among the uncounted children.

State officials acknowledged that they couldn't tell from their records where the Rucker agency children were.

Federal law enforcement officials have subpoenaed the records of Rucker's agency, but Miavria Rucker has not been accused of any crime.

Her agency filed a lawsuit disputing the findings of the state audit, but that suit ended in December 1998 when agency lawyer Ellen E. Douglass asked the judge to release her from the case because Rucker had vanished.

A Tribune reporter found her seated behind a portable electric piano in the former agency headquarters, which is now a church.

'It sounds like a frenzy'

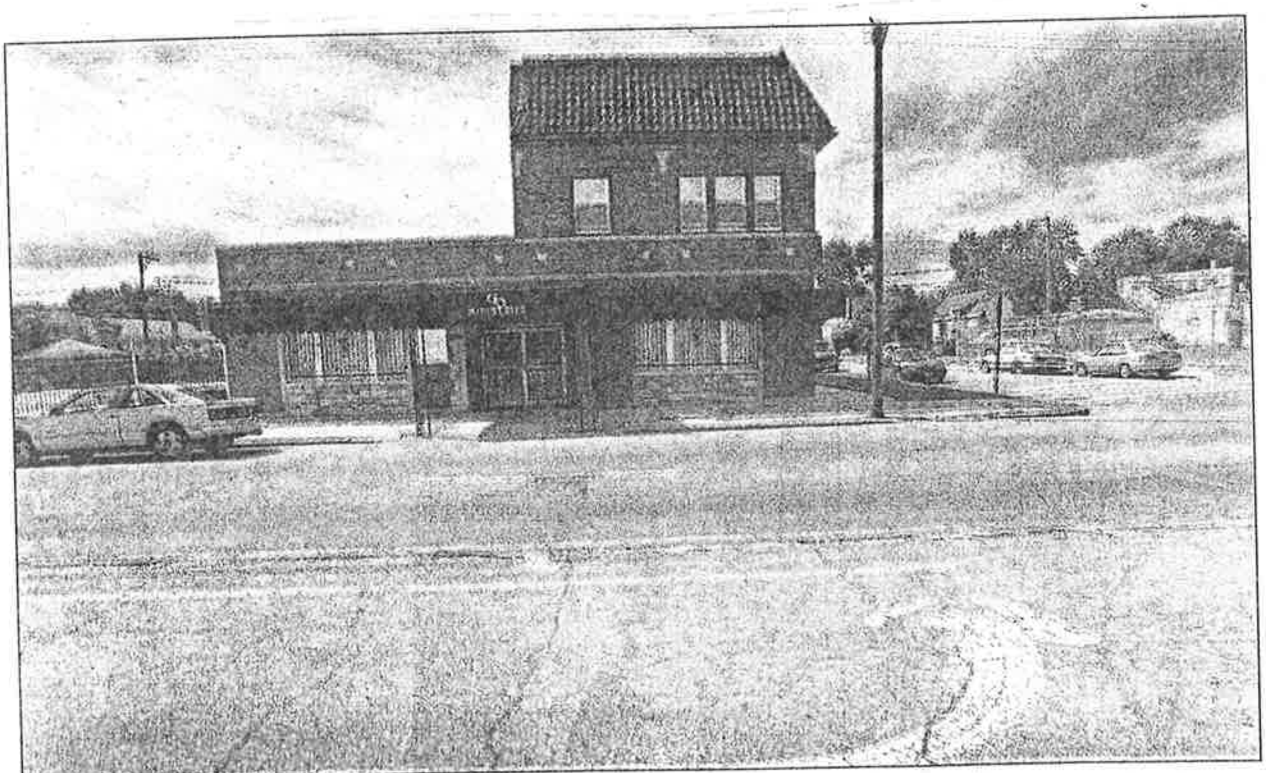
A decade ago, when Miavria Rucker first appeared at the squat, celestial bungalow that houses the Soul Reviving Missionary Baptist Church at 9537 S. Perry Ave., it was to lead the music program.

"The woman can make an organ talk. She's better than good," said Loretta Carter, a church member who became a Rucker agency worker.

She ran a young people's program called "How to Fall in Love Intelligently."

When she married Rev. William Tate Rucker in a DuPage County civil ceremony in 1991, Rev. Rucker was giving his hand for the fifth time—unless you accept the account of his fourth wife, who said in court papers that they "were never divorced and that their marriage was never annulled."

Rev. Rucker ran the successful 1984 campaign of then-State Rep. Howard Brookins, then sought the



$9 million | **Amount Rucker agency received from Illinois**

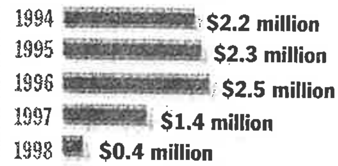
Illinois gave the Rev. Henry Rucker Memorial Services foster care agency, headquartered at 8400 S. Ashland Ave., $9 million to find loving homes for 289 children.

Alleged misuse of funds by the Rucker agency

During the nearly five years Rev. Henry Rucker Memorial Services Inc. was operating, Illinois officials entrusted them with 289 children and $8.8 million to provide them with specialized foster care and stable homes. In November 1997, Department of Children and Family Services auditors released a 2,000-page report listing $3.4 million in what they called unexplained or improper spending by the Rucker agency.

State of Illinois annual payments to the Rucker agency

In millions of dollars:

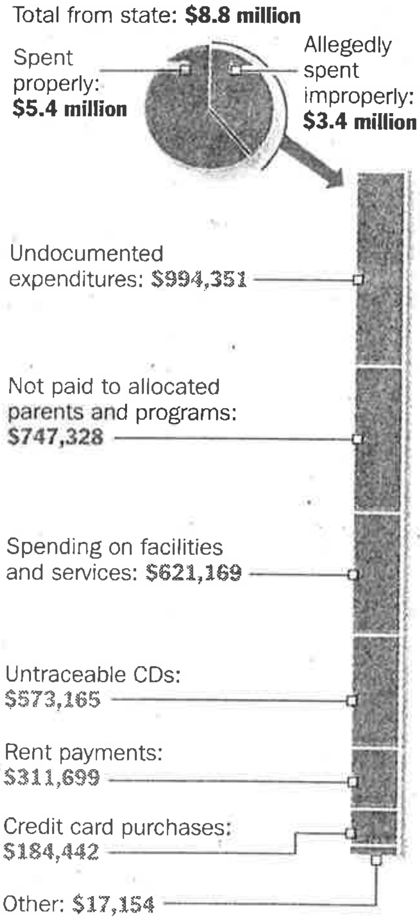


Examples of credit card spending by the Rucker agency, which included $1,107 at The Sharper Image and $1,216 at Buy-A-Tux.

Reference Number	Item Number	Description of Monthly Activity	Charges	Credits
		CARD NUMBER 3782-835157-72000		
831131		PAYMENT RECEIVED - THANK YOU 05/11		5,175.01
501116	1	KAPLAN SCHOOL SPLY LEWISVILLE NC 011901840 BOOKS/MAPS/MATERIAL/ACC 04/25/95	1,597.58	
501117	2	UNOCAL CHICAGO IL UNOCAL 76 GAS/SERVICE011712259000 04/26/95	25.00	
501122	3	HILTON INN OAK LAWN IL 0000-0502 RESTAURANT 05/01/95	99.10	
501122	4	Bakers Square 202008BURBANK IL 051218666 FOOD/BEVERAGE 05/01/95	19.34	
501126	5	OFFICEMAX, INC. 0205BURBANK IL 205001855 OFFICE SUPPLIES 60459 05/05/95	86.79	
501129	6	OFFICEMAX, INC. 0205BURBANK IL 205001595 OFFICE SUPPLIES 60459 05/08/95	162.61	
501130	7	THE NET CHICAGO IL 132943361 FOOD/BEV 05/09/95	29.39	
501130	8	MONTGOMERY WARD EVERGREEN PAR IL 098855174 AIR COND/POWER 05/09/95	337.45	
064131	9	THEODORES RESTAURANT EVERGREEN PARK IL INV#811418	34.77	
064131	10	THEODORES RESTAURANT EVERGREEN PARK IL INV#611734	21.92	
064131	11	THEODORES RESTAURANT EVERGREEN PARK IL INV#184246	41.64	
501133	12	THE SHARPER IMAGE OAK BROOK IL 5250837 ASSORTED MERCHANDISE 05/13/95	1,107.34	
501133	13	UNIFORMS TO YOU & COCHICAGO IL 000006300 UNIFORMS/ACC 05/12/95	171.80	
501133	14	OFFICEMAX, INC. 0205BURBANK IL 205001359 OFFICE SUPPLIES 60459 05/12/95	1,364.97	
501134	15	KMART #03280 OAK LAWN IL 000000000 GENERAL MERCHANDISE 05/12/95	261.86	
501134	16	UNOCAL CHICAGO IL UNOCAL 76 GAS/SERVICE013422965000 05/12/95	25.00	
024139	17	BUSTER BROWN SHOES CHICAGO IL INV#467633	148.82	
501139	18	ENTERPRISE RENTACAR EVERGREEN PARK IL 014677640 00000000 14677640 05/17/95	150.00	
501139	19	GANTOS-EVERGREEN PK EVERGREEN PARK IL 0003-5428 APPAREL 05/18/95	161.62	
501140	20	ENTERPRISE RENTACAR EVERGREEN PARK IL 014681177 00000000 14681177 05/18/95		150.00
501141	21	MAXINES BEAUTY MAGICCHICAGO IL 014164578 APPAREL/ACCESSORIES 05/19/95	55.48	
501143	22	OFFICEMAX, INC. 0245MATTESON IL 245001125 OFFICE SUPPLIES 60443 05/22/95	480.65	
		TOTAL FOR MIAVRIA THORNTON	$8,383.11	$5,325.01
		CARD NUMBER 3782-635157-71010		
501119	23	ENTERPRISE RENTACAR EVERGREEN PARK IL 014615666 00000000 14615666 04/27/95	200.00	
501120	24	ENTERPRISE RENTACAR EVERGREEN PARK IL 014619528 00000000 14619528 04/28/95		149.19
501130	25	MONTGOMERY WARD EVERGREEN PAR IL 098855180 EPA FEE 05/09/95	174.14	
501132	26	BUY-A-TUX CHICAGO IL 013232679 APPAREL/ACCESSORIES 05/11/95	1,216.49	
		TOTAL FOR WILLIAM T RUCKER	$1,590.63	$149.19
				832

Rucker's spending

Total from state: **$8.8 million**



Source: Illinois Dept. of Child and Family Services

Chicago Tribune/David Constantine, Phil Geib

company of Brookins' more powerful rival, state Senate Democratic leader Emil Jones (D-Chicago).

But Rev. Rucker's principal vocation was youth. He helped launch One Church—One Child and until his death in May 1996 served as president of the non-profit corporation that carried out its mission.

By 1996, he owned about 5 percent of Sable Bancshares, the holding company of Community Bank of Lawndale, court and corporate records show.

"In church, she would tell people she was a millionaire already," said Ester Wilson, an agency worker and Soul Reviving church member. "She would get up and say, 'I don't need your blessings because I am a millionaire.' "

Said agency supervisor and church member Ruby Robinson: "One time I remember Rev. Rucker said they were blessed with a million dollars and his wife wanted to up and go shopping."

Other congregants recalled that sermon, and they too were taken aback.

Robinson turned to the woman

next to her.

"I said to another girl, 'He didn't have a million dollars before he started getting involved in this child business.' "

In fact, million-dollar foster care contracts were not hard to find in Illinois during the 1990s. As more children poured into state care, the Illinois Department of Children and Family Services quadrupled the number of state wards whose cases were handled by private agencies like Rucker's to 26,400 children in June 1999 from 6,600 in 1990.

The number of cases managed by state workers dropped during that time to 7,800 from 10,900 in 1990.

The non-profit industry mushroomed in large part because of tragedies such as the February 1994 Keystone case in which 19 children were found untended in a squalid West Side apartment.

"Every judge was saying, 'Bring in the kids. Search the streets. Cast wide nets.' Every church was going to respond in their community. I think they did it for good motivations," DCFS director Jess McDonald said. "And then people discovered that running a foster care system takes some skill. It is a business. And they weren't prepared for it."

The largest of the church-based private agencies had existed for more than a century. Maryville Academy, Catholic Charities and Lutheran Social Services were paid a combined $113 million in state funds earmarked for children in the fiscal year that ended July 1998, state records show.

But Illinois also committed itself to building a new network of community-based agencies, and so state departments last year spread roughly $500 million among 100 smaller foster service companies, many of which had not existed before 1990.

The private agencies "displayed extraordinary performance" in moving children to permanent homes, said Ron Moorman, who directs the Child Care Association of Illinois, an industry lobbying group made up of 107 firms. Some agencies were able to raise extra funds that supplemented their government grants, and many have deep roots in the communities where they work, Moorman said.

But many of the newcomers fell short of their promises, records and interviews show.

DCFS paid Reaching the View Inc. more than $3 million—nearly $233 a day for each of 140 children placed in its care—but stopped the referrals after an inspection showed young boys in one group home were sexually abused by their older peers, other homes were filthy and company directors had falsified staff credentials and diplomas.

DCFS quietly withdrew the $200,000 contract awarded to Manhood Shelter Inc. after discovering the agency's director, Louis C. Gross Jr., had a questionable background that included an armed robbery conviction. Gross could not be reached for comment.

In October 1998, after two children died within six weeks in foster homes managed by Aunt Martha's Youth Service Center Inc., DCFS suspended referrals to the $34 million-a-year agency. Aunt Martha's had seen its foster care caseload reach 1,400 children, then drop roughly in half when troubles came to light.

DCFS withdrew several youths from the Alpha House group home in November 1998 after residents of the Back of the Yards neighborhood signed petitions complaining that youths were intimidating residents, and tactical squad officers in Chicago's Deering District said Alpha House youths provided security for a nearby drug house, a state inspection report says. A DCFS review of the home's records showed "little in the way of effective treatment (let alone supervision) was being provided at this facility." DCFS has paid Alpha House more than $2.6 million since 1996, state records show.

Alpha House director Richard W. Pitts Jr., a cartage company operator, said in an interview that the criticisms were exaggerated and his agency was being discriminated against because he fought for more contracts for African-American foster companies.

In 1997, CTA bus driver Tracy L. Jones opened four group homes for delinquent state wards. To help garner children, he signed a $20,000-a-year contract with Alice M. Washington, a forensic social worker with the state appellate defender's office, who recommended Jones' agency to juvenile court officials.

Six months into Jones' contract, a review done for the state by Dr. Ronald Davidson, director of the mental health and policy project at the University of Illinois, alleged filthy conditions in the homes, mistreatment and neglect of youth and "a pattern of major financial irregularities [and] deceptive practices." DCFS removed its wards.

Jones has filed an Illinois Court of Claims lawsuit seeking $175,000 from DCFS and $4.4 million from the state Department of Corrections, which also supplied wards.

Jones, who now works as a consultant and subcontractor for other private foster agencies, also enlisted the help of state Rep. Constance Howard (D-Chicago). Last month, Howard wrote to Gov. George Ryan on Jones' behalf, saying his allegations that he was given harsher treatment because he was black "certainly appear to demonstrate a prima facie case of discrimination."

In his fifth year at the helm of DCFS, McDonald has earned national recognition for policy initiatives that enabled Illinois to lead the nation in moving children into permanent foster and adoptive homes. In the spring of 1997, Illinois' child welfare caseload began to decline for the first time in a decade.

In June 1999, the state child welfare rolls dropped to 34,200 from 46,500 two years before, state records show.

The drop in cases came in large part because state officials and private agencies are placing more of the abused and neglected children with the children's relatives, McDonald said. These "kinship care" arrangements concern some advocates because the relatives are put through less stringent screenings and training and are visited less frequently than children in other settings, a May 1999 U.S. General Accounting Office report on Illinois' foster care system said.

"Kinship care is the sharpest double-edged sword," said Public Guardian Patrick Murphy. "The majority of relatives are very good, but among the rest, a lot of serious corporal punishment and drug abuse goes on."

But the private agencies remain the primary concern of child advocates, Murphy said.

When some troubled agencies closed, DCFS director McDonald said, they destroyed all of their files, a contract violation that can seriously hinder a child's care and progress.

And for every start-up venture that folded, another seemed to spring up.


Tribune photos by Nancy Stone

Denise Hodges started taking in foster children at her South Side home after seeing a television news program about the Rucker agency.

Small operations that had been through a brief mentoring program appeared at McDonald's office expecting caseloads. Some agencies "were showing up with a year's worth of bills. No one knew they were out there. It was bedlam," McDonald said.

"It sounds like a frenzy. Well, actually, it was."

Illinois has begun to improve monitoring of the agencies, introducing performance standards and updating its record keeping in an effort to ensure that the children placed in private hands are safe and making progress. But too many cases still fall through the cracks, McDonald and other child advocates say.

Starting in July 1996, state officials stopped referring children to the Rucker agency and 31 similar private companies because they held youngsters in unsafe conditions or failed to represent them in court, arrange for visits with their families or secure them stable homes.

But even after documenting the problems and instituting the so-called "intake hold," overburdened state officials apparently ignored their own restrictions against Rucker. They placed 16 more children with the agency and paid it $3.3 million.

Today, 17 of those 32 "intake hold" agencies are shuttered. During their existence, only eight of those 17 agencies were audited by DCFS or certified accountants as required by their contracts, state records show.

And because Illinois officials were committed to developing a community network, they allowed the firms to continue managing their existing caseloads even after stopping new referrals, paying the agencies $28 million and allowing some firms to care for children through 1998.

More than 50 of the children removed from the Rucker agency were placed with other private companies that collapsed within a year.

Fourteen children were shuffled through more than three other agencies, state records show.

After he left the Rucker agency's care in November 1997, one 10-year-old boy went through 11 caseworkers with two private agencies.

McDonald and other child welfare specialists say having a single caseworker oversee a youngster's progress and take ownership of his case is the most important factor in securing a stable home.

Since leaving the care of the Rucker agency, only one in seven of its children have been placed in permanent homes, the state's computer records show.

'We were all they had'

As the Dodge van rumbled down the 5700 block of South Calumet Avenue, Jordan and three other babies dozed amid the tiny belts and wires of the apnea monitors that tracked their vital signs.

Behind the wheel that January afternoon in 1994, Rev. Rucker drove with care and glowed with pride, and the church mothers cooed over his agency's first infants. "To see these children, I thought, this is something great," Loretta Carter said. "You could see how God is working.

"We were all they had. They took to us."

The Rucker agency placed Jordan in its Shammah House group home that January, but it is unclear from state and Rucker agency records where he went from there, or when. Eventually, he landed in the Rucker agency group home overseen by Denise Hodges, 64.

On a recent afternoon, Hodges slumped in her favorite chair and gathered the collar of her bathrobe. Her hair was tugged into the beginnings of an off-kilter bun.

State records show Hodges cared for a total of five children in her South Side home, but Hodges and others say the Rucker agency entrusted her with a shifting array of as many as eight children at a time.

As for Jordan, "he was a terror," Hodges said. "He was what you consider a bad little boy. I've had plenty of those."

Hodges sighed as she recalled how she came to work for the Rucker agency. "I saw a news program about them on TV," Hodges said. "I went over with my son to meet the director. She said everything I wanted to hear."

Miavria Rucker told Hodges she would have a skilled staff in her home 24 hours a day, nurses on call and quick administrative response, Hodges recalled.

The reality, Hodges said, was different.

"We had staff come and put the quilt over their head and go to sleep," Hodges said. "I couldn't tell 'em nothing. The caseworkers quit all the time. They didn't really get over to the house."

Many of the Rucker children carried the residual effects of their parents' drug abuse and physical violence, and so DCFS paid the Rucker agency more than $8,000 a month to provide specialized care for the eight toddlers placed in Hodges' house.

The Rucker agency paid Hodges $1,666 a month to care for them, and Hodges said she dutifully spent that on diapers, food and provisions the agency had promised but failed to deliver.

"It sounds like you're getting money, but you're not," Hodges said.

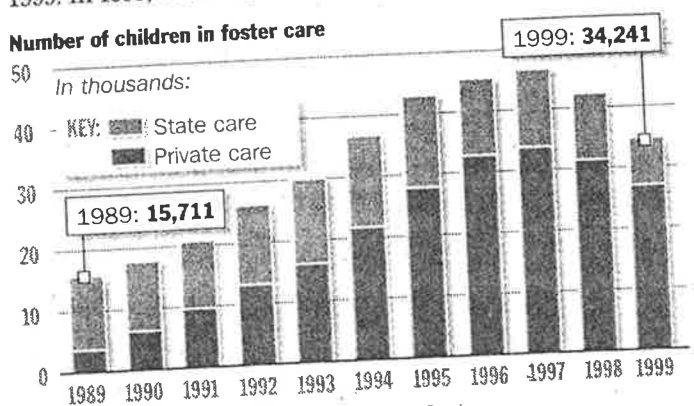
Hodges said she wasn't sure which specialized children were suffering from what ailments.

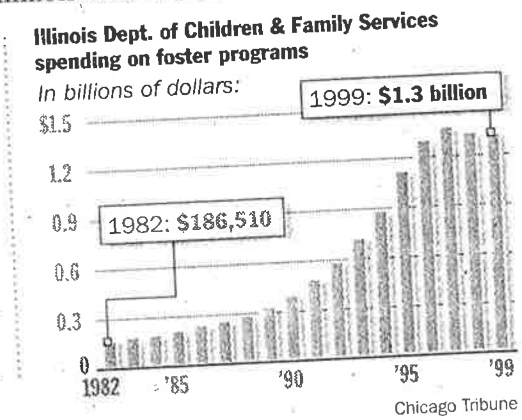
"The ones with drugs cry and scream all the time," she said. "The ones with asthma are always sick, and the sexually abused you have to watch very close."

During the summer of 1996, Rucker workers failed to appear at four of Jordan's court hearings to determine his progress and had moved no closer to placing him in a permanent foster home, the boy's juvenile court records show.

Foster care in Illinois

The number of children placed in foster care agencies in Illinois has more than doubled since 1989. Likewise, spending on foster care programs in Illinois has increased 620 percent from 1982 to 1999. In 1999, over 75 percent of the 42,165 foster children in Illinois were in private foster care.





Chicago Tribune

Source: Illinois Department of Children and Family Services

Rucker workers falsely assured state officials that Jordan's case had been evaluated by a team of caseworkers when it had not, an October 1996 DCFS memo said.

In May 1997, a Rucker caseworker acknowledged to DCFS that Jordan had not received the specialized therapeutic care for which the state had been paying. She had given inaccurate information "because she was ordered to," a DCFS memo said.

As the children drifted, Rucker officials devised an intricate layering of charitable and profit-making companies.

To help it lease facilities where foster children would be housed, the Rucker agency paid $263,334 to a for-profit company called Thesaurus Management.

Rev. Rucker was Thesaurus's director and Rucker agency accountant Jesse J. Ivy was Thesaurus's registered agent.

A for-profit, Rucker-directed maintenance company—called WTR Maintenance, after William Tate Rucker—was paid another $55,000 in state funds to clean the properties.

These sorts of transactions involving related firms can be legal if they are approved by state officials, but the Rucker agency did not disclose them, according to the state audit.

Ivy was among the original incorporators of the Rucker agency and a member of the board of directors at the time he audited the agency's books, state records show. The agency did not disclose that relationship either.

The Rucker agency paid some $37,200 in rent to Global Outreach, a defunct non-profit corporation chartered by Ivy "to perform services to the poor . . . throughout the world."

Global Outreach had no documented relationship to the properties for which it collected rent.

The Rucker agency also leased space to the One Church—One Child program, but state funds were wrongly used to refund the church program's $11,165 in rent, the auditors found.

Before his death in May 1996, Rev. Rucker wrote a letter to DCFS contesting auditors' initial findings.

"I too was an orphan, adopted, if you will," he wrote, "and my adopted father told me one thing that stayed with me throughout my life. He said, a man is only remembered in this world in two ways, either for the good that he does or for the bad that he does."

After Rucker died, a special account was set up by probate lawyers to handle his complex finances, and that account held about $61,000 as of March, court testimony shows.

That money also disappeared. At a July 29 court hearing, attorney Thomas E. Vaughn notified Cook County Probate Judge Robert Cusack that the account had been improperly drained. Vaughn told the judge he had been unable to contact Miavria Rucker, who has since married former agency worker Charles Black.

She "has not been physically seen by any of us in seven months," Vaughn said.

No blanket, few friends

One morning, Denise Hodges said, a DCFS employee she didn't know "just came and got the kids and that ended it."

Rucker agency supervisor Ruby Robinson also recalled that morning: A state official had the Rucker workers line the children on a couch.

The official "started calling off the names of children who weren't there," Robinson said. Then the state official removed the children who had been accounted for.

By then, DCFS officials had placed Jordan in the foster home of Joanne Schmidt, a suburban grandmother who has six biological children and has been a foster mother to another 10.

Jordan came to her in clothes that were too small and rotted at the crotches and underarms, with busted toys, no favorite blanket, no book, no note.

At 3 years and 2 months, he offered only the beginnings of sentences. He wore diapers. The first time he soiled himself, he asked Schmidt if she was going to whip his butt.

It took Schmidt only three days to toilet train Jordan, but his ringworm lasted 16 months.

No medical report warned Schmidt about the skin virus that would infest her house. Schmidt contracted the disease, then her three Persian cats got it. She shaved the cats. It found her dog. Then her grandchildren. Schmidt had to throw away all of her grandchildren's stuffed animals.

Miavria Rucker dropped out of sight. For Jordan—quick to cry and sometimes to fight—a tough road remains.

On a recent morning, the 6-year-old laid a neat row of blue and red blocks across the kitchen floor. He was a builder of plastic highways, a Lego impresario.

His project took him deep into the living room.

"I will be happy when the other children accept him," his new mother said. "I will be happy when he is invited to his first birthday party."

Tribune staff writer Cornelia Grumman contributed to this report, and assistant technical manager John Bloom developed computer databases.


Joanne Schmidt (left) wraps a towel around her adopted son Jordan as another son, Adam, sits behind them. At right, Jordan hangs from rings on a swing set as he plays with new brother Anthony at the family's summer home in Paw Paw, Mich.