



AN INVESTIGATIVE REPORT BY THE

U.S. House Committee on Homeland Security Democratic Staff Prepared for Congressman Bennie G. Thompson, Ranking Member

Shortly after founding the American National Red Cross (Red Cross) in 1881, Clara Barton worried "that if the Red Cross became too bureaucratic and businesslike, its compassion and effectiveness as a relief organization would diminish." More than 120 years later, Barton's concerns have proven to be well-founded. As the Red Cross' responsibilities have increased, its ability to meet the challenge of providing efficient and effective service has not. The charity has come under increased scrutiny in recent years for alleged delayed responses to disasters, race and economic-based discrepancies in aid distribution, and financial mismanagement.

The Red Cross is a "federal instrumentality" chartered by Congress to meet international treaty obligations of the United States Government under the Geneva Conventions.² In 1900, the Red Cross received its first Congressional Charter, followed by a second in 1905, setting forth the purposes of the organization as giving relief to and serving as a medium of communication between members of the American armed forces and their families and providing national and international disaster relief and mitigation.³ The second Congressional Charter essentially redefined the organization as a National Society of the International Red Cross and declared Congress' belief that "the importance of the work to be done by the corporation required that it be put under government supervision."4 The Red Cross is currently mandated, pursuant to Emergency Support Function #6 of the National Response Plan (NRP), to assume the role of providing food, shelter, emergency first aid, disaster welfare information and bulk distribution of emergency relief items to disaster victims during Incidents of National Significance.⁵ The NRP defines such an incident as "an actual or potential high-impact event that requires a coordinated and effective response by an appropriate combination of Federal, State, local, tribal, nongovernmental, and/or private-sector entities in order to save lives and minimize damage, and provide the basis for long-term community recovery and mitigation activities."6 The Red Cross is the only nongovernmental organization with primary agency responsibilities for these "mass care" duties under the NRP.7

While its history and continuing public confidence have earned the Red Cross a reputation for being a reliable and trusted organization, a closer look at its performance

¹Andrew Schneider and Lee Bowman, *Mercy or Myth: Red Cross Disaster Aid*, The Pittsburgh Press, August 5-August 10, 1990, at 1, 5 (reprint on file with author).

² U.S. Congress. House. House Committee on Ways and Means. Subcommittee on Oversight. <u>Hearing on Response by Charitable Organizations to the Recent Terrorist Attacks.</u> 107th Cong., 1st sess., 2001 (prepared statement of Michael Farley, Vice President, Chapter Fundraising, American Red Cross), <u>available at http://waysandmeans.house.gov/legacy/oversite/107cong/11-8-01/11-8farl.htm.</u>
³ P.L. 58-4, (1905).

⁴ American Red Cross Home Page, <u>A Brief History of the American Red Cross</u>, <u>available at http://www.redcross.org/museum/history/brief.asp</u> (last visited on December 12, 2005).

⁵ Department of Homeland Security, National Response Plan, Emergency Support Function 6 – Mass Care, Housing, and Human Services Annex (ESF#6-1) (Nov. 2004) [hereinafter National Response Plan], available.at http://www.dola.state.co.us/oem/National% 20Response% 20Plan.pdf.

⁷ Press Release, American Red Cross, American Red Cross Key Part of National Response Plan (Jan. 6, 2005), <u>available at http://www.redcross.org/pressrelease/0,1077,0_489_3922,00.html.</u>

in disaster areas reveals significant problems. Most recently, Hurricanes Katrina and Rita have highlighted the Red Cross' difficulties in providing rapid and reliable relief to disaster victims – difficulties perhaps most pronounced in economically disadvantaged and minority communities.

Late on the Scene

Contrary to the beliefs of many, the Red Cross traditionally provides only short-term assistance and typically departs disaster scenes within days. Consistent with this mission, and pursuant to its NRP obligations, the Red Cross provides temporary food, shelter, and emergency medical care in the wake of a disaster but leaves long-term reconstruction to government and others. Given this limited role, reports that the Red Cross is frequently late in responding to large-scale disasters – often arriving on the scene days after other relief organizations have arrived – is not only distressing but also highlights a critical gap in the Department of Homeland Security's plans for responding to large disasters. These reports have been publicized for some time.

As illustrated during the Elba, Alabama, floods in March 1990, many evacuees in rural communities wait[ed] days for the Red Cross to show up. 11 During the flood, the Red Cross National Chapter, hundreds of miles away in Virginia, insisted on being provided with the "exact number of homes destroyed" before it would send in personnel. 12 While the Red Cross waited to confirm the severity of the disaster, the Salvation Army was already on the ground working with local churches at the site to distribute food, pillows, and blankets to the flood victims. 13 The Red Cross, however, was not totally idle. Despite its failure to mobilize rapidly, the Red Cross National Chapter at the same time was reportedly giving interviews in which it was exaggerating its recovery efforts in the area – apparently in an effort to raise money. 14 Contrary to the impression that it was generating, the Red Cross had only one local volunteer who was actively working in the region. 15 An investigation of the Red Cross' performance in Elba subsequently revealed that although it took the Red Cross National Chapter six

⁸ Josh Getlin, et al., Fundraising Phenom – Red Cross – Is Under Fire, Los Angeles Times, Oct. 6, 2005, available at http://abc26.trb.com/news/la-100605redcross_lat,0,2470626.story?coll=wgno-news-1; American Red Cross Home Page, Disaster Services, available athttp://www.redcross.org/services/disaster/0,1082,0-319, <a href="http://obc.ncbi.nlm.nih.gov/nobc.nlm.nih

⁹ National Response Plan, <u>supra</u> note 5 at Emergency Support Function 6 – Mass Care, Housing, and Human Services Annex (ESF#6-1); Greg Pearson, *Despite Katrina Efforts, Red Cross Draws Criticism*, USA Today, Sept. 28, 2005, <u>available at http://www.usatoday.com/news/nation/2005-09-28-katrina-red-cross_x.htm.</u>

¹⁰ Schneider and Bowman, <u>supra</u> note 1 at 1, 8-11; National Response Plan, <u>supra</u> note 5 at Emergency Support Function 6 – Mass Care, Housing, and Human Services Annex (ESF#6-1).

¹¹ *Id.* at 17-19.

¹² *Id* at 18.

¹³ *Id.* at 17-18. This is just one of several instances where other charities were able to provide aid more quickly than the Red Cross. A similar situation arose in Puerto Rico in 1989 prior to Hurricane Hugo. *Id.* at 15. The Red Cross had assured the Governor that it would be able to ship 15,000 cots to the island for the anticipated population that would be displaced. *Id.* While the Red Cross failed to deliver, the Salvation Army bought and shipped 5,000 cots in preparation for the storm. *Id.* ¹⁴ *Id.* at 18.

¹⁵ *Id*.

days to arrive, it attempted to shift blame for its delayed response by blaming local chapter officials for not being adequately prepared. 16

Sadly, the Elba experience is just one of many suggesting a pattern of disconnectedness between the Red Cross National Chapter and its local volunteers. Several months later in May of 1990 – in Petersburg, Indiana – a lone Red Cross volunteer from a chapter over 40 miles away experienced a similar sense of abandonment.¹⁷ Twenty-four hours after 15 tornadoes touched down in the region, the lone volunteer apparently could not get the Red Cross National Chapter to commit to when it might arrive to provide aid. 18 When the volunteer phoned the National Chapter, she was "screamed at...for admitting to outsiders that everything was not going perfectly." 19 As in Elba, the Salvation Army and others arrived in Petersburg with food and clothing before the Red Cross sent any aid.20

A month later, a dam broke in Belmont County, Ohio – causing massive flooding in that region.²¹ In a pattern similar to the responses in both Elba and Petersburg, the Salvation Army arrived on the scene less than two hours later.²² While the Salvation Army worked with local officials to rescue and care for victims of the floods, Red Cross staffers sat more than 200 miles away at Red Cross Regional Headquarters deciding whether to send volunteers to the area.²³ When Red Cross "help" finally arrived – over twenty-four hours after the initial disaster – it reportedly came in the form of three public relations officers who put up Red Cross banners but offered no substantive assistance.²⁴ It was not until two days after the flooding commenced that Red Cross National Chapter relief workers actually showed up.²⁵

Perhaps more disturbing than these examples of delayed responses are the Red Cross' apparent priorities when disasters strike. As described above, Red Cross public relations staff have apparently deployed – sometimes within twenty-four hours of a disaster – with the sole purpose of collecting videos and photos in order to prepare campaigns for cash.²⁶ During Hurricane Hugo, for example, the Red Cross dispatched a film crew before the storm hit the U.S. mainland.²⁷ It likewise dispatched a video crew within twenty-four hours of the San Francisco earthquake of 1989.²⁸ Indeed, once Red Cross public relations staff arrives, they typically distribute "banners, signs and armbands" instead of aid – actions that often cause anger, frustration and confusion at

¹⁶ *Id*.

¹⁷ *Id*. at 18.

¹⁸ *Id*. at 19.

¹⁹ *Id*. at 19.

²⁰ *Id*.

²¹ *Id*. at 8.

²² *Id*.

²³ *Id.* at 9.

²⁴ *Id*. at 10.

²⁵ *Id.* at 10-11.

²⁶ *Id.* at 6.

²⁷ *Id*.

²⁸ *Id*.

relief sites.²⁹ When the Red Cross National Chapter claims that a disaster is too dangerous to send in volunteers, the arrival of public relations people – often days before disaster crews – raises suspicions.³⁰ Some believe that this "presence" allows the Red Cross to take credit for services that it does not render by perpetuating an image of immediate service that simply does not exist.³¹ To add insult to injury, some have noted that while other charities do the initial immediate relief work that the Red Cross is often unprepared to do, the Red Cross nevertheless collects the majority of donations by capitalizing on its national prominence.³² The Red Cross is not and cannot be compelled to share this wealth with other charities.³³ Charities and other organizations that have picked up the slack find this situation to be extremely frustrating.³⁴

Claims of Red Cross aid arriving late resurfaced in the aftermath of Hurricanes Katrina and Rita. Cities in Louisiana and Mississippi, for example, reported that the Red Cross was "unprepared for the scope of the disaster and initially lacked enough food and supplies." According to media reports, a Red Cross shelter in Shreveport, Louisiana, "was so short of basic supplies that the...staff went begging to a local church." These shortcomings seriously undermine public confidence in the charity's capacity to handle large-scale disasters in both the short- and long-term – especially when others are effectively delivering aid. Perhaps most disturbing, however, is the fact that the Red Cross' patterns of delayed and inadequate aid continue to manifest themselves most often in economically disadvantaged and minority communities.

²⁹ *Id*.

 $^{^{30}}$ *Id.* at 5-6.

³¹ *Id*. at 6.

³² Martha Moore, *Red Cross in Critics' Cross Hairs*, USA Today, Oct. 17, 2005, <u>available at http://www.usatoday.com/news/nation/2005-10-17-redcross-criticism_x.htm?csp=14</u>.

³⁴ Greg Pearson, *Despite Katrina Efforts, Red Cross Draws Criticism*, USA Today, Sept. 28, 2005, available at http://www.usatoday.com/news/nation/2005-09-28-katrina-red-cross_x.htm. ³⁵ *Id.*

³⁶ Jacqueline L. Salmon and Elizabeth Williamson, *Red Cross Borrowing Funds for Storm Aid; Loan of* \$340 Million comes as Nonprofit Draws New Scrutiny, The Washington Post, October 28, 2005, at A01. ³⁷ Along Battered Gulf, Katrina Aid Spurs Unintended Rivalry Salvation Army Wins Hearts, Red Cross Faces Critics; Two Different Missions, Wall Street Journal, Sept. 29, 2005, available at http://www.warroom.com/asheard/articles/10195/battered.html.

Two Standards for Care

More than 90% of disasters handled by the Red Cross are small, personal disasters such as small fires and local mishaps. Until the late 1980s, most of the disasters handled by the Red Cross in fact involved "middle-class people [living] in private dwellings." Since the charity's late 1980s foray into urban disasters, however, its aid has been characterized by a series of missteps that have repeatedly had an inordinate impact on the people most in need of assistance.

During the San Francisco earthquake of 1989, the public became acutely aware of shortcomings in the Red Cross' "urban disaster response" capacity – shortcomings that many perceived as insensitivity to low-income and minority communities. ⁴⁰ During the disaster, for example, the Red Cross refused aid to victims who were unable to provide proof of housing or residence prior to the earthquake. ⁴¹ Families with children and individuals with mental illnesses were turned away from Red Cross shelters because they could not offer this proof – either because they had lived in multifamily dwellings or in buses or other types of substandard housing, were homeless, or were migrant workers. ⁴² To further complicate the situation, the Red Cross pulled up stakes soon after the earthquake struck, taking with it nearly three-fourths of the money donated to aid victims – some \$40 million. ⁴³ Bay area officials repeatedly criticized the Red Cross for holding back the money, and major corporate donors told Red Cross leaders that they expected their money to be spent locally as promised. ⁴⁴ Only after city officials threatened to file a lawsuit against the Red Cross and to alert donors about the charity's actions did the Red Cross agree to set up a relief fund for the victims. ⁴⁵

Later that same year, Hurricane Hugo hit Charleston, South Carolina. The two most heavily-affected areas were treated significantly different by the Red Cross. 46 While five Red Cross centers were established in wealthy Charleston County, impoverished Berkeley County was provided with only one center. 47 Then Red Cross Service Director Hugo Hucks claimed, "it was like we had two standards for help. One for the wealthy and one for the poor." 48 Countless rural communities reportedly were ignored by the Red Cross, and as many as 3,000 families in under-served communities were still in need of assistance three months after the hurricane. 49

³⁸ Salmon and Williamson, <u>supra</u> note 36 at A01.

³⁹ Schneider and Bowman, <u>supra</u> note 1 at 22.

⁴⁰ *Id.* at 22-23.

⁴¹ *Id*.

⁴² *Id*.

⁴³ *Id.* at 30.

⁴⁴ *Id*.

⁴⁵ *Id*.

⁴⁶ *Id*. at 20-21.

⁴⁷ *Id*. at 21.

⁴⁸ *Id*.

⁴⁹ *Id.* at 21.

During these disasters, the Red Cross publicly acknowledged its need for diversity as well as its "cultural insensitivity." Over a decade later, however, the same disparities were apparent during its post-Katrina and Rita performance. Following numerous complaints reported in the media, the Red Cross again "acknowledged that its response to minority evacuees during Katrina and Rita was lacking, with some African American communities having less access to aid than white communities." In these instances, many black communities were forced to turn to "churches and civil rights groups...dubbed 'the Black Cross,'...to provide aid in the absence of the Red Cross." Those African-American groups have worked effectively to "channel aid to the gulf region and coordinate relief efforts" – i.e., work that the Red Cross was supposed to be leading. 53

While the Red Cross continues to *acknowledge* these problems, recent events raise serious questions about the progress the organization has actually made in the nearly two decades since these problems were first brought to the public's attention.

⁵⁰ *Id* at 4.

⁵¹ Salmon and Williamson, <u>supra</u> note 36 at A01.

³² *Id*.

⁵³ *Id*.

The Red Cross' Red Tape

The Red Cross has traditionally blamed many of its difficulties on strict rules that mandate when it can and cannot report to a disaster scene. In December 1989, for example, temperatures in the Rio Grande Valley, a largely Hispanic area of Texas, dropped an unexpected fifty degrees – putting people at risk of freezing. Government officials contacted the Red Cross in hope of aiding migrant workers in the area who were living in plastic shanties. The Red Cross, after acknowledging that it wanted to help, refused to step in because it claimed that the freeze was not a "normal disaster." Echoing its response to the San Francisco earthquake, it went on to state that even if the freeze had been a disaster, it would not have been able to render aid because the migrant workers did not have permanent addresses. Despite Red Cross guidelines requiring aid to be distributed when "temperatures are below the level where homes will retain sufficient heat," the charity would not even supply heaters and blankets to the workers.

Critics blame the Red Cross' cumbersome structure – which is similar to that of many government agencies – for its inability to adequately handle these disasters.⁵⁹ As an initial matter, the Red Cross provides aid to victims of presidentially-declared disasters only until Federal Emergency Management Agency (FEMA) grant and loan programs begin. 60 Until that time, the charity follows many of the same guidelines that govern FEMA's response.⁶¹ Those guidelines, however, often do not make sense for "immediate relief" purposes. The most contentious of these guidelines, for example, concern housing. Following Hurricane Katrina, Alabama county records "show the national Red Cross has denied aid to flood victims . . . because they lived in sanctioned communities."62 In other words, these individuals were denied temporary housing and other immediate aid because their communities did not follow government zoning rules, making them ineligible for government aid. 63 Notably, the Red Cross was operating under similar guidelines when it refused aid to victims in San Francisco who could not provide proof of housing.⁶⁴ Other bureaucratic rules apparently were at work after the most recent hurricanes when the Red Cross refused to set up shelter in a school because it lacked a dehumidifier, and when it refused to deliver food to some shelters because it was dark outside. 65 A consequence of these rigid approaches is that the Red Cross, like FEMA, is sometimes denying aid to the nation's neediest.

⁵⁴ Schneider and Bowman, <u>supra</u> note 1 at 24.

⁵⁵ *Id*.

⁵⁶ *Id*.

⁵⁷ *Id*.

⁵⁸ *Id*.

⁵⁹ *Id.* at 12-15.

⁶⁰ *Id*. at 16

⁶¹ *Id*.

⁶² *Id*.

⁶³ *Id*.

⁶⁴ *Id.* at 22-23.

⁶⁵ Moore, <u>supra</u> note 32.

For individuals seeking financial assistance from the Red Cross, the charity's rules and regulations can be just as frustrating. This has been a particularly burdensome problem for victims of Hurricanes Katrina and Rita. Although it established phone lines for Katrina evacuees, the Red Cross did not have sufficient staff to handle the volume of evacuee calls; moreover, it initially had only one number for them to call. 66 Consequently, many throughout the Gulf Coast region complained of being placed on hold for hours while trying to get help and never reaching the charity. 67 After taking a number, other evacuees had to wait for days before they could meet with Red Cross volunteers to receive debit cards for clothes, food, and gas.⁶⁸ At one Baton Rouge shelter, moreover, the Red Cross posted a sign explaining that only residents of the shelter would be helped there – directing others to the Red Cross' overburdened call centers. 69 "We were just getting the runaround from the Red Cross," one evacuee stated.⁷⁰ This begs the question: to whom were these individuals to turn for assistance when the Red Cross – the organization collecting the vast majority of aid donations in the wake of the hurricanes and a key mass care provider under the NRP – was either unable or unwilling to help them?

Most distressing, however, has been the treatment of Katrina victims residing in small, rural communities. In those communities, the Red Cross was either "absent or overwhelmed."⁷¹ Where the Red Cross was absent, victims literally were on their own. They could not reach the Red Cross by phone and many had no means of transportation to the charity's shelters. 72 Even if transportation was available, moreover, the fact that some Red Cross shelters were offering assistance only to shelter residents would have prevented these victims from receiving aid and supplies in any event.⁷³

Although the Red Cross is not involved in community redevelopment efforts and has little experience in providing long-term care, it has received nearly \$2 billion in donations in response to Hurricanes Katrina and Rita – dwarfing the donations to other charities.⁷⁴ While the Red Cross has claimed that this money is needed for immediate care, its continued calls for donations have had the effect of sucking all the oxygen out of the room. The Red Cross simply is not in the business of rebuilding communities, and it has made no promises that it will be taking on this task. 75 Other charities that do perform this work have been eclipsed.

⁶⁶ Id

⁶⁸ Emma Graves Fitzsimmons, *Hurricane Rita: the Evacuees*, American-Statesman, Oct. 1, 2005, <u>available</u> at http://www.statesman.com/metrostate/content/metro/stories/10/1texrita.html.

69 Stephanie Strom and Campbell Robertson, *As Its Coffers Swell, Red Cross Is Criticized on Gulf Coast*

Response, The New York Times, Sept. 20, 2005. ⁷⁰ *Id*.

⁷¹ *Id*.

⁷² Moore, supra note 32; *Dealing With Katrina and Facing the Future*, CNN.com, Oct. 13, 2005, available at http://www.cnn.com/2005/US/10/13/katrina.poll/.

Strom and Robertson, supra note 69.

⁷⁵ Moore, <u>supra</u> note 32.

Legislative Action

While Americans are free to donate to whatever charity or other organization they see fit, they cannot make an informed choice about where to donate if they do not have all the facts. If the Red Cross cannot quickly assist victims of disaster; if it cannot ensure that all victims are helped regardless of their economic or racial background; and if it cannot overcome the bureaucratic snafus that it claims prevent it from offering efficient and effective care, then the charity is not serving the purpose set forth in its Congressional Charter. Accordingly, in order to make improvements in, among other things, the administration of charitable donations made in the aftermath of Incidents of National Significance and other disasters, Congress should pass legislation to address the following:

First, the Department – particularly FEMA – should take the lead in educating the American public about (1) the wide array of disaster charity options that exist; and (2) the distinction between charities that specialize in immediate relief and those that specialize in longer-term redevelopment and economic recovery relief. By creating a disaster charities database accessible to the public that informs Americans about their charitable giving options, and that highlights the unique needs that arise following a particular disaster, FEMA could not only help the public make more informed choices about where to donate money but also promote the targeting of charitable donations to areas of greatest need.

Second, given the critical role of charitable organizations in disaster relief efforts, including the Red Cross's role as a key agency with responsibilities under the NRP, it is important that Congress better understand how charitable organizations have operated following the hurricane disasters. Therefore, the Government Accountability Office (GAO) should conduct a study and prepare a report addressing: (1) how much money charities raised to assist people affected by the hurricanes, and how this funding was used; (2) the responsibilities of charities, including the Red Cross under the NRP, and how well the charities met these responsibilities; (3) how charities coordinated their relief efforts; (4) how people affected by the hurricanes accessed charitable services and relief supplies, and what problems they encountered when dealing with charities; (5) how charities ensured reasonable protections against fraud and abuse; and (6) the key lessons learned from the hurricanes regarding the charity response and what areas of improvement merit attention and oversight.

Third, given the Red Cross' key role in the NRP, the Department's Office of Inspector General should conduct a review of how well the Red Cross conducted its mass care and other responsibilities. In order to ensure that adequate resources are deployed to disaster areas, the Inspector General should specifically examine what other nongovernmental organizations might also be suited to perform these functions and whether a shared or regional approach to these functions might better facilitate effective and rapid delivery of mass care and other resources following an Incident of National Significance.

Fourth, because the Red Cross' call centers were not able to handle high call volumes in the wake of Hurricanes Katrina and Rita, the Department should establish a separate disaster call center network to complement the Red Cross effort in order to ensure this functionality. In so doing, the Department should develop, in conjunction with the Privacy Office, appropriate performance metrics for staff working within the disaster call center network and a mechanism to prevent fraud.

Fifth, in view of the recent allegations in the media about the Red Cross, and in order to bolster public confidence in the organization, the Red Cross' federal charter should be amended to require that it provide the Secretary of Defense with sufficient information to conduct a performance-based audit that would allow the Secretary to conduct a disaster-by-disaster analysis of how much money the Red Cross raises in response to its calls to assist victims of each and every disaster with which it is involved; how much of that money the Red Cross actually spends in response to each and every disaster with which it is involved; the specific forms of relief that are paid for by the Red Cross in response to each particular disaster; and a precise breakdown of any amounts raised in response to a particular disaster that are not actually spent on relief efforts for that particular disaster, along with an explanation of what other Red Cross work that money supports. The Red Cross' federal charter should also be amended to clarify the organization's role in relation to other relief groups working in disaster zones and to include a diversity commitment with clear diversity benchmarks.

Finally, the NRP itself should be amended to require signatories to adopt a common diversity statement that commits them to equal treatment of all Americans during their work in response to Incidents of National Significance and other disasters.

⁷⁶ Section 10 of the Red Cross' Congressional Charter currently designates the Secretary of Defense as the party responsible for conducting an audit of the Red Cross' annual report. <u>See</u> Congressional Charter of the American National Red Cross, 36 U.S.C. §§ 300101-300111 (recodified 1998).