

Nation



Long wait: Hurricane evacuees wait in line for Red Cross assistance in Boutte, La., on Sept. 26. Some in small rural towns say the Red Cross has been slow to arrive.

Red Cross in critics' cross hairs

Some are calling for non-profit to shift its focus

By Mervin T. Moore
USA TODAY

When Americans stepped up to help victims of Hurricanes Katrina and Rita, most wrote the check to the American Red Cross.

The nation's largest disaster-relief organization has received more than 70% of the \$1.7 billion Americans have donated to hurricane relief: \$1.2 billion has poured into the Red Cross since Sept. 17.

The Red Cross has sent 172,000 volunteers to run shelters, feed evacuees and give money to families. It opened 1,150 shelters; this weekend it was still housing 7,139 people in 81 shelters. It has given cash to 1.1 million families.

But with visibility has come scrutiny and some criticism.

In Mississippi and Louisiana, people are angry that the Red Cross' work is hampered by regulations, unreachability by phone and absent from hard-hit towns along the Gulf Coast.

In the world of non-profit organizations, where Red Cross fundraising is considered extraordinary, other agencies want to commit some of its money to longer-term rebuilding of the work non-profits that will.

And, after appealing for donations to house displaced people in hotels, the Red Cross belatedly disclosed that the government would reimburse it for \$100 million in housing costs.

Keeping up

So many people need help that the Red Cross had to call on the state. On New Orleans talk radio caller after caller complains about not being able to get through on the toll-free lines to register for help.

Even before Hurricane Rita hit on Sept. 24, says Wilbert Boy, 55, from Lake Charles, La., "I would absolutely



Talking shelter: Red Cross workers Maaria Brenna, left, and Karl Harris care for two small Katrina survivors in September. The Red Cross opened 1,150 shelters.

lines were jammed. "When you wait something from them, you can never get through," he says.

With Katrina, the Red Cross began a new system of taking aid applications over the phone. "We had to get out of the Western Union location. We could wait until we built a system that was big enough to handle the demand or we could launch what we had and build it as we went along," says Joe Becker, the head of disaster response for the Red Cross. "Did we frustrate people? Yes. ... But we were our clients' friend with what we had. All that we could do was to get them help."

The Red Cross added a second phone number and now has almost 1,500 people staffing three call centers.

Red Cross riles

In small rural towns, the Red Cross has been slow to arrive, in the opinion of some who needed help long ago. Many say they had to wait for help for weeks. A Florida state disaster team set up a shelter in a school, but the Red Cross said it was unsafe and declined to run it. "They've got their rules, and they can't deviate from them," Jeff McWay, a Florida worker, told the Associated Press. The shelter is being run by

make sense that the vehicle has to remain parked until the daylight hours."

The fact that the Red Cross has taken in more than two-thirds of all donations to hurricane relief is "unprecedented," says Brent Stamp, president of Charity Navigator, a public charity watchdog. "We're not sure that's the way they do it."

The Red Cross raised eyebrows by soliciting contributions to shelter hurricane victims without disclosing that it would be reimbursed by FEMA. "It does seem like they should have been straightforward about it," says Stacy Palmer, editor of the Chronicle of Philanthropy. "\$100 million the Red Cross expects from FEMA is a small amount compared with the \$2 billion it is likely to spend on hurricane relief, she adds.

The Red Cross also will seek reimbursement for an estimated \$10 million that it spent on medical care in shelters, duties normally handled by local public health agencies, Becker says.

Urged to share wealth

Rebuilding the Gulf region is such a huge task that other organizations are questioning whether so much of the donated money should go to a group with a focus on short-term relief. "This is not simply a competitive search for who can get the rebuilding of that region possible," says Rick Cohen of the independent National Committee for Responsive Philanthropy. He'd like the Red Cross to share the wealth.

The Red Cross says absolutely not. For one thing, it has raised only half of the \$2 billion it says it will need. If that goal is met, the way and place share it with other non-profits. Becker says that. Getting the Red Cross into rebuilding communities is "asking them to become a different operation," says Elizabeth Borts of the Urban Institute's Center on Nonprofits and Philanthropy. "What happens if another hurricane comes along? Who's going to focus on that?"

Contributing: Matt Melley in New Orleans

Internal Red Cross reports warned of trouble

By Hope Yen

Associated Press

WASHINGTON | The American Red Cross was warned years before Katrina hit to resolve its internal disputes or risk a repeat of problems that plagued the Sept. 11, 2001, relief effort, according to internal documents made public by a Senate panel Monday.

Thousands of pages of Red Cross e-mail, corporate documents and whistleblower complaints paint a picture of an organization whose mammoth structure contributed to the charity's uneven response to Hurricane Katrina.

In an Oct. 29, 2001, e-mail, board member Bill George warned Red Cross chairman David McLaughlin to resolve the group's disputes.

At the time, the nation's largest charity was reeling from CEO Bernadine Healy's resignation amid charges it had mismanaged Sept. 11 donations.

"The worst thing we could do is to gloss over the split on the board, make some superficial changes in governance, and see the whole scenario repeated three or four years from now," the Medtronic Inc. executive wrote.

"I do not think the board can continue kidding itself that it wants a strong leader and then not giving that person the authority to lead," he said. Four years later, the group's next CEO, Marsha Evans, would resign in the aftermath of Katrina, citing board friction.

Sen. Charles Grassley, R-Iowa, calling for immediate changes, warned the Red Cross board Monday that "business-as-usual" cannot continue." He said the documents raise questions about the Red Cross' ability to keep close watch on billions of dollars in donations.

"This type of culture, a culture that discourages people from coming forward, management that does not want to hear the bad

IN A NUTSHELL

WARNING SIGN: Internal documents show the American Red Cross was warned in October 2001 that it should resolve internal disputes or face a repeat of problems that plagued its Sept. 11 relief effort.

CALL FOR CHANGE: Republican Sen. Charles Grassley says the Red Cross cannot continue with "business as usual" and that the documents raise questions about the Red Cross' management of donations.

WORKING TO IMPROVE: The Red Cross says it has recently launched an independent audit to review operations.

news, and is more concerned about good press than good results, is a theme that I am hearing too often," said Grassley, who as

Finance Committee chairman oversees charitable organizations.

His committee released the documents Monday.

In a statement, the Red Cross said it would fully cooperate with the committee's review.

The charity has said it responded to Katrina the best it could in circumstances almost unimaginable, while acknowledging that it stumbled in "technology, logistics and coordination."

"The American Red Cross is committed to learning from our prior challenges and making the necessary changes," the charity said Monday, noting it had recently launched an independent audit to review operations.

A House report earlier this month on the Katrina response found the Red Cross was overwhelmed by water, food and supply shortages as well as a disorganized shelter process.

Some lawmakers have called for a change to the national re-

sponse plan that gives the Red Cross the primary role and the dollars that flow with it.

Replying to a Senate inquiry, the Red Cross said this month it was working to improve coordination with FEMA and local charity groups.

It said it had no "fixed deadline" for hiring a new CEO to replace Evans, who took over in August 2002 as the organization was shaking off criticism over how it handled Sept. 11 donations, some of which were quietly set aside for future terror incidents.

In dozens of letters to Grassley's office, former Red Cross employees and volunteers detail a culture of inefficiency in which poor communications, layers of bureaucracy and resistance to change contributed to waste and chaos after Katrina struck.

Typical of the complaints: Red Cross trucks rolling in with goods or sitting idle in parking lots, but not always accounted for; volun-

teers staying in hotels rather than shelters, holding them for use in case it was needed for someone "with more privilege in the organization;" orders placed for food well in excess of need; extensive travel paid for at retail rather than pre-negotiated volume cost.

"We ask for the Red Cross to be more accountable for donor funds," wrote Christie Lesch, a hurricane volunteer from Adel, Iowa. "They tell the public how much money has been spent on disaster relief, but not how well it is spent."

Documents also show Red Cross leaders eager to repair the group's image following its fundraising flap, but at times uncertain how to navigate among the local chapters, which represent 30 of the charity's 50-member board.

Ultimately, Evans was counted on — unsuccessfully — to smooth out problems.

Red Cross hit with \$4.2 million fine

FDA cites blood-supply issue

By Jonathan D. Rockoff
The Baltimore Sun

WASHINGTON | The American Red Cross was fined \$4.2 million Friday by the Food and Drug Administration, which voiced concern about the charity's quality controls for its blood supply.

An FDA official, Dr. Jay Epstein, said testing of the recalled units didn't reveal contamination. He said there was no indication the units were released or that anyone was harmed.

The penalty is the largest blood-related fine levied by the FDA. It follows the Red Cross' recall of 12,000 units of blood that were collected improperly, agency officials said.

"It is not acceptable that the quality system has failed in this way," said Margaret Glavin, associate FDA commissioner for regulatory affairs.

The Red Cross supplies nearly half of the country's blood. Over the years, the charity has drawn a total of \$9.9 million in fines, and much scrutiny, over its blood supply practices.

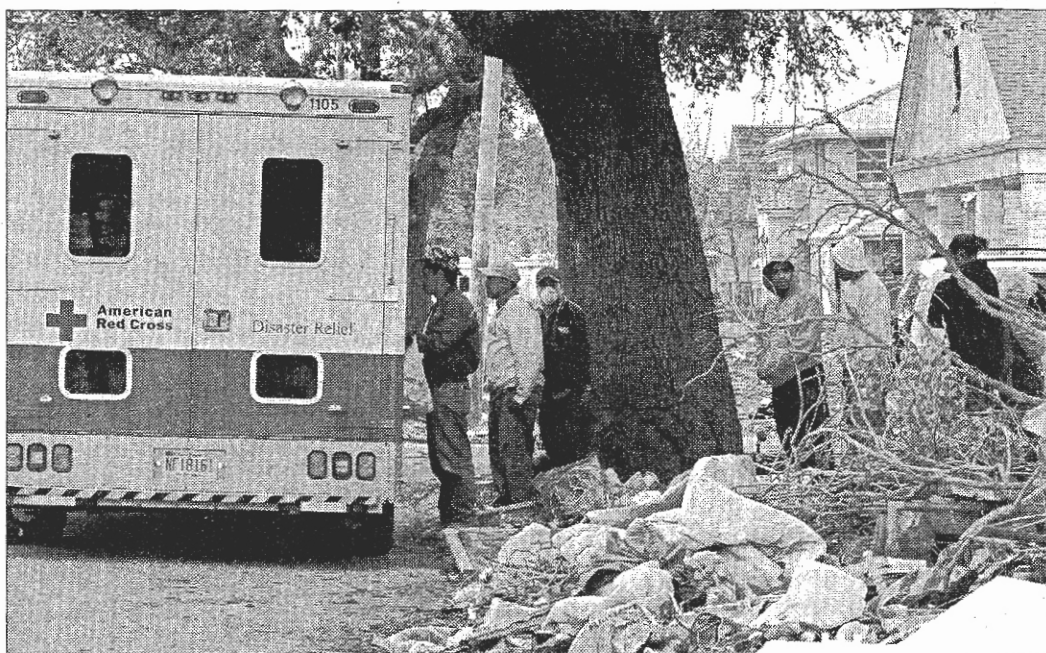
Since 2003, it's been operating under a consent agreement with the FDA.

The FDA imposes fines when the Red Cross doesn't follow the quality-control procedures required by agency regulations and outlined in the decree.

Stephanie Millian, a Red Cross spokeswoman, said the charity voluntarily recalled the units, or pints, of blood between April 2004 and April 2005 and then notified the FDA.

The FDA review found that the recalls were preventable. "It doesn't mean the Red Cross' blood supply isn't safe. The blood supply is safer today than it ever was," Millian said.

9/10/06



ASSOCIATED PRESS FILE

People line up for food provided by the American Red Cross in the Lakeshore neighborhood of New Orleans on Dec. 7, 2005. Sparked by criticism of its response to Hurricane Katrina, the American Red Cross released plans Monday for sweeping changes in the way it governs itself.

Responding to criticism, Red Cross plans overhaul

10/31/06

By David Crary
Associated Press

NEW YORK | The American Red Cross, stung by criticism of how it handled Hurricane Katrina and the Sept. 11 attacks, announced plans Monday for a major overhaul that would include slashing its 50-member board and reducing the influence of presidentially appointed overseers.

The reforms are intended to ease recurring friction between board members and Red Cross management, and to address complaints that the organization was at times too bureaucratic and unaccountable after Katrina and the attacks.

Some of the changes in the 60-year-old governance structure can be implemented unilaterally, but the main proposals will require approval from Congress for revisions in the organization's congressional charter.

A key senator who has pressed the Red Cross for reforms, Chuck Grassley, R-Iowa, praised the proposals and expressed hope that Congress would swiftly approve them.

"It's good news that the Red Cross' board recognized that a Band-Aid won't do," Grassley said.

The changes, approved without opposition by the existing board, result from an unprecedented six-month review by a panel of outside experts.

Highlights of the reforms that would need congressional approval include:

EXPLICITLY DELEGATING responsibility for day-to-day operations to the Red Cross' full-time professional management, with the board focusing mainly on longer-term strategic oversight.

REDUCING THE BOARD OF GOVERNORS to between 12 and 20 members by March 31, 2012.

CREATING A SINGLE CATEGORY of board members. Now, most are elected by local chapters, some are elected by the board, and others, including the chairman, are appointed by the U.S. president.

SHIFTING SEVEN of the presidentially appointed governors — all but the chairman — into a newly created Cabinet Council that will be merely advisory.

"This is a historic day for the American Red Cross," said the board's current chairwoman, Bonnie McElveen-Hunter.

The 125-year-old charity was by far the biggest player in responding to Hurricane Katrina, raising \$2 billion, mobilizing 235,000 volunteers and helping hundreds of thousands of displaced people.

Yet it was sharply criticized for responding too slowly in some low-income, minority areas, for over-reliance on inexperienced staff, and for reluctance to work closely with other nonprofits.

Red Cross president resigns

Friction with board leads to Evans' decision

By David Crary
Associated Press

NEW YORK | American Red Cross President Marsha Evans announced her resignation Tuesday because of friction with the board of governors, shortly before witnesses and lawmakers at a congressional hearing assailed the charity's response to Hurricane Katrina.

Red Cross spokesman Charles Connor said the board was not unhappy with Evans' handling of the hurricane crisis "but had concerns about her management approach and coordination and communication with the board." It was the second time in three years that such feuding led to a leadership change after a national disaster.

At the hearing in Washington, lawmakers said the Red Cross' uneven response to Katrina calls for major changes in how the charity coordinates with local

groups, handles its finances and distributes aid to the disabled. A Louisiana congressman even suggested the possibility of stripping the Red Cross of its dominant role in major relief campaigns.



Evans

Jack McGuire, executive vice president of the charity's Biomedical Services, was named to serve as interim president while a search for Evans' permanent successor is conducted.

A former Navy rear admiral who previously ran the Girl Scouts of the USA, Evans took over at the Red Cross in August 2002 as the organization was shaking off criticism of how it handled some donations sent in response to the Sept. 11, 2001, terror attacks.

Evans' predecessor, Bernadine Healy, said she was forced to resign partly because of disagreements with the board over whether money coming in after Sept. 11 should be placed in a separate fund or a general disaster fund. Some donors were upset that \$200 million was set aside for future terrorist incidents.

Healy, now a health columnist with *U.S. News & World Report*, said her departure and Evans' removal reflected serious problems in how the 50-member Red Cross board addresses its internal conflicts and clashes with its top executives.

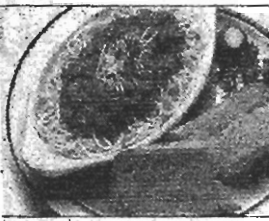
"You can't have 50 people making decisions," Healy said. "The Red Cross is a public treasure that belongs to America and must serve America. Until these governance problems can be sorted out, it won't be able to do so effectively."

She noted that the Red Cross is chartered by Congress, and the U.S. president is its honorary chairman. "The only people who can fix it are at that level," she said.

After the Sept. 11 donation dispute, the Red Cross promised greater accountability. But the unprecedented challenges posed by this year's hurricanes raised new problems.

Critics said the Red Cross failed to respond quickly enough in some low-income, minority areas; others faulted it for balking at cooperation with grassroots organizations even as it collected the bulk of hurricane relief funds — more than \$1.8 billion to date.

On the positive side, the group mobilized roughly 220,000 volunteers in response to the hurricanes, accommodated hundreds of thousands of evacuees in shelters and provided financial aid to about 1.2 million families.



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Hard lesson learned at Red Cross

Charity alters preparations after Katrina

By Bill Nichols
SA TODAY

PRENTISS, Miss. — In the torrid temperatures that mark the start of the steamy Mississippi summer, the biggest safety threat to the parched landscape of Jefferson Davis County at the moment is fire.

But on a recent morning under a cloudless blue sky, several dozen people gather to hear Charlie Conerly, the county emergency management coordinator, talk about hurricanes and how this county needs the Red Cross to help it prepare for a new season of storms.

"Were any of you ready when Katrina came?" Conerly asks the room in general. No hands go up. "That's what I ought," he says. "That's why we're here."

The efforts in Prentiss to be better prepared as hurricane season gets underway present a telling microcosm of lessons learned by the national Red Cross after its much-criticized performance in the onslaught of Hurricane Katrina last year. The charity was stung by complaints, including in a congressional report, of supply shortages, poorly run shelters, inadequate phone and computer systems and a lack

of outreach to rural areas. But interim president and CEO Jack McGuire says the American Red Cross now has far-reaching reforms in place.

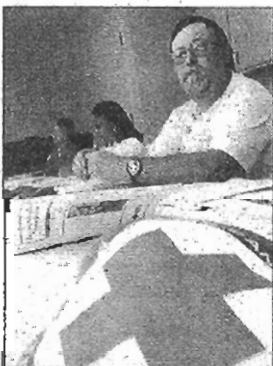
McGuire says the Red Cross will have more resources, a streamlined process to get aid to victims, a vastly expanded communications network and a new effort to reach out to Prentiss and communities like it. Prentiss has no Red Cross chapter and waited days for help when hundreds of evacuees arrived after Katrina.

He acknowledges that the response to Katrina sullied the image of the Red Cross. "Our surveys indicate that our image



By Matthew Bush, Hattiesburg (Miss.) American

Focus on training: Red Cross volunteers learn their roles in disaster relief at a workshop in Hattiesburg, Miss., in March. The organization was stung by criticism after Hurricane Katrina last year.



By Matthew Bush, Hattiesburg (Miss.) American

Preparations: Volunteer William Melson III at workshop.



McGuire: Aims to regain trust.

is not as good as we were before Katrina and not as bad as we were in January," McGuire says.

"We would prefer to be back to where we were pre-Katrina, but we have to earn that. We'll earn that by showing what happens in the next hurricane season."

At the South Central Mississippi Red Cross chapter, which is headquartered in nearby Hattiesburg, Executive Director Janice Vannatta is working long hours to translate McGuire's rhetoric into results.

A "spontaneous volunteer" during Katrina who has since been hired to run the chapter, Vannatta attended the prepara-

Charity has a list of changes

The American Red Cross is racing to make changes by July 1 to improve on its ability to respond to disasters.

"We need to go from how we used to do things to how we need to do things," interim President and CEO Jack McGuire says. After Hurricane Katrina, the Red Cross was slammed for supply shortages, poorly run shelters, swamped phone lines and a lack of outreach to local churches and non-profits.

Among the changes the 125-year-old organization promises, at a cost of about \$80 billion:

► **More aid.** The charity is tripling its warehouse space and will be able to house and feed up to 500,000 people for six days. The Red Cross helped 1.25 million people after Katrina. Its biggest previous season was in 2004, when it provided aid to about 73,000.

► **Better communication.** Satellite-phone service will be

provided to 21 cities from Richmond, Va., to Houston, tripling the charity's satellite service.

► **Computer and telephone help.** Systems have been updated and rebuilt to handle 100,000 aid applications a day by phone and computer, with an ultimate capacity of 2 million.

The charity installed a new computer system in the weeks after Katrina and served more than 1 million people, but the hastily produced software had major problems.

► **Partnerships.** McGuire has approached charities and national minority groups such as the Salvation Army, the NAACP and the National Council of La Raza to try to improve services to minority areas.

► **More staff.** About 30 full-timers have been added to coordinate with state and federal officials after a storm.

By Bill Nichols

tions meeting in Prentiss and hopes to have at least two Red Cross shelters ready in coming weeks. Prentiss had no shelters when Katrina hit.

During Katrina, conditions in Prentiss "were horrible," says Spencena Hinton, the new Red Cross liaison with county and city officials in Prentiss. Hinton says Jefferson Davis County was swarming with evacuees from the Gulf Coast while it tried to

deal with serious damage from the storm.

Charles Reid, president of the county Board of Supervisors, says a common complaint was that once the Red Cross got teams to the county, its aid programs had few controls.

"People got money who didn't need it," Reid says.

Vannatta, whose staff of five covers nine counties, listens to the complaints while keeping a

nervous eye on the calendar.

As hurricane season begins, 40,000 Federal Emergency Management Agency trailers remain on the Mississippi Gulf Coast. Vannatta's fear: Even a mild storm will force people living in those trailers to evacuate. And key roads north from Mobile, Ala., New Orleans and the Mississippi Gulf coast all lead straight through Hattiesburg.

Some of Vannatta's efforts to be ready for this storm season:

► **More shelters.** Vannatta hopes to have 20 shelters ready, up from eight last year.

She's also following Washington's lead in trying to partner with churches, schools and community organizations to open shelters that can give residents of poorer and more remote areas faster help.

► **Pre-positioned supplies.** The South Central Mississippi chapter gave out 553,000 snacks or meals last year. Vannatta is lining up vendors to get more supplies earlier.

► **Communications.** The chapter plans to use handheld radios so shelters can communicate with each other and headquarters. Virtually all communication was cut off during Katrina.

► **Volunteers.** The chapter has more than doubled its volunteer base since Katrina. More than 100 volunteers were trained in a single event on April 1.

► **Preparations.** Vannatta has sent basic information home with schoolchildren to emphasize the message that residents need to be ready to survive on their own for 72 hours after any disaster.

And there's a special outreach program to the thousands of new Hispanic residents in Hattiesburg — most of them storm-repair workers — says the Rev. Tommy Conway of St. Thomas Catholic Church.

For the first time, hurricane warnings on local TV will be in both English and Spanish, Conway says.

In Prentiss, Conerly and Vannatta promise residents that as hurricane season begins, this year things will be better.

"We're going to make this easier than it was last time," Conerly says. "But it's not going to be perfect. We're human beings."

6/6/06

Red Cross fined over blood handling

WASHINGTON | The Food and Drug Administration has fined the Red Cross an additional \$4.6 million for the distribution of "unsuitable blood products," bringing penalties against the organization to more than \$19 million in recent years.

The FDA issued a letter Wednesday stating that it reviewed 113 recalls of blood products by the Red Cross from April 2003 to April 2006. The recalls involved the release of an estimated 4,094 unsuitable blood components.

Agency officials noted that having to conduct a recall shows that safety protocols were breached. For example, a donor may not have been appropriately asked about international travel or intravenous drug use.

FDA spokeswoman Peper Long said the agency didn't find any evidence of serious health consequences as a result of the safety breaches.

Red Cross officials said it was taking several steps to find problems in the collection and distribution of blood supplies. It's increasing supervision at blood drives and consolidating processing facilities. Its goal is to meet the FDA's standards for quality and safety, officials said.

"It takes time and it takes resources, but we're committed to doing whatever's necessary to meet that goal," said Red Cross spokeswoman Stephanie Millian.

Millian stressed that the fine would not be paid through donations but through the operating fees that it charges those who get blood units, such as hospitals.

- From wire service reports

2/7/08