

Is The Red Cross' operation really “near flawless”?: Research shows inadequacy in their expenses, transparency, and quality of work

By Shui Hu

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A Red Cross volunteer working. (Red Cross)

The Red Cross spent as little as 16% of revenue on disaster relief while allocating an irrational 119% for biomedical services and employee benefits in 2019. With mission execution not guaranteed, the Red Cross opposed a government inquiry that concealed their inadequate quality of work.

According to [Charity Navigator](#), biomedical services represented 71% of the organization's program expenses while disaster services was only 16%. Given that biomedical services solely refers to blood collecting and selling, 71% is indeed an impressive number.

What's more, biomedical services made \$1,731,503,851 revenue in 2019, which was 94% of their program service revenue (\$1,840,018,144), and 61% of their total revenue (\$2,839,409,246), according to their [2020 IRS Form 990](#).

This largest expense and revenue did not belong to their primary mission - domestic disaster services, that is supported by donations. It had been left behind as a superficial brand, and acted as a foil to biomedical services.

Would it be more reasonable to switch the percentage for each service?

Meanwhile, these percentages contradict their official claim for “[Where Your Money Goes](#)” that “an average of 90 cents of every dollar we spend is invested in delivering care and comfort to those in need.”

Even so, the Red Cross' program expenses data is doubtful and contains errors.

When adding their 71% expense on biomedical services to the 48% expense on salaries, other compensation, and employee benefits from the [2020 IRS Form 990](#), the sum not only does not equal 100% but also exceeds it by 19%.

The math points out the difference and implies a potential problem with this data, while giving us a yellow flag on their inadequate expenses on employee benefits, where its ratio in total grants and revenue is extremely unbalanced.

According to their tax filing, the Red Cross gave a total amount of \$1,359,517,644 to employees, which was 153% of their total grants (\$887,785,755) and 48% of their total revenue (\$2,839,409,246).

Drawing a comparison between the Red Cross and other charitable non-profit organizations, we can see the disparity.

The Salvation Army, who also provides disaster relief services, had a percentage of 41% and 39% out of their total grants and revenue, based on their [2016 IRS Form 990](#). For Feeding America, the employee benefits only constituted 1.2% of its total grants and 1.1% of its total revenue in 2019, based on their [2020 IRS Form 990](#).

Taking Feeding America as an example, even if it had received 3.92 times more grants than the Red Cross, the amount of benefits given to employees is only 3% of that of The Red Cross.

Despite the total employee number difference, in which the Red Cross had 18,984 employees and Feeding America had 313 employees in 2019 as shown in their tax filings, Feeding America used about 99% of their revenue on "ensuring equitable access to nutritious food for all." In contrast, the Red Cross only used a half (52%) of their revenue for providing disaster relief and emergency preparation.

Therefore, the Red Cross had less percentage of revenue spent on mission execution compared to that of other charitable non-profit organizations. Their larger expense rather belonged to secondary tasks or employee benefits.

Furthermore, the Red Cross' lack of care for disaster relief services led to the Government Accountability Office (GAO)'s inquiry in February 2014 to September 2015. The Red Cross' CEO Gail McGovern lobbied the Congress to end the inquiry

"As I mentioned at the end of our discussion, I would like to respectfully request that you consider meeting face to face rather than requesting information via letter and end the GAO inquiry that is currently underway," she said in a private letter to Rep. Bennie Thompson (Sullivan).

On nearly all the major charity review websites, the Red Cross meets transparency benchmarks. But from the CEO's effort to shut down government inquiry, was the Red Cross really transparent enough to be accredited?

But no matter how hard McGovern attempted to end the inquiry, it went ahead as planned. Investigators concluded that the Red Cross needed "regular, external, independent and publicly disseminated evaluations" since they did not provide adequate quality of work in Superstorm Sandy and had misleading statements regarding their donated dollars expense.

Now, it's time to reveal the details of the Red Cross' actual quality of work.

As presented in their [self-reflection](#) and a formal Red Cross official Richard Rieckenberg's [emails](#) regarding emergency services for Hurricane Isaac and Sandy, the Red Cross itself confessed that they did not make appropriate decisions and enough preparations.

In their internal documents, they wrote that staff "didn't know" or "follow procedures" regarding the issues that children were sheltered next to sex offenders, disabled victims slept in their wheelchairs for days, while facilities, materials, and staff were lacking (American Red Cross 4-6; Elliott 5). In addition, 80 empty emergency response vehicles were dispatched as prop "just to be seen (for the media)", and 90% of the volunteers were sent to Tampa that wasn't in Isaac's path (Elliott).

Acknowledging their shortcomings and negative impacts, the Red Cross' high-level officials had a [virtual meeting minutes](#) that stressed the need for timely communication, effective skill set and leadership of the workforce, to better help people in need in future events (Hurricane Sandy Hot Wash 1-4).

In the face of inadequate expenses, transparency, and quality of work proved by research, The Red Cross is not "near flawless" as McGovern claimed. It seemed like they had some thoughts for change, as Richard Rieckenberg proposed: "What can we do to make people think that we're doing the right thing?" (Elliott). But whether it is going to be an effort on the surface or actually doing it it's up to them. We'll see.

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Feb. 5, 2022

Kathy Larin
U.S. Government Accountability Office
441 G St., NW
Washington, DC 20548

RE: Public records request

Dear Kathy Larin:

Pursuant to the Pennsylvania Right-To-Know Law Statute, Act 3. Chap. 7. Procedure., I hereby request copies of the following records: internal documents (meeting minutes and lessons learned reports), photographs, and videos obtained through the congressional inquiry into The American Red Cross' disaster relief work since 2014, the year when Red Cross CEO Gail McGovern wrote to Rep. Bennie Thompson to end the GAO inquiry. Also, I would like a copy of private emails and letters between the GAO and The Red Cross regarding the inquiry for the same time range.

As the FOIA requires, please release all reasonably segregable nonexempt portions of documents. If your agency does not maintain these public records, please let me know who does and include the proper custodian's name and address.

In order to help to determine my status to assess fees, you should know that I am affiliated with an educational or noncommercial scientific institution, and this request is made for a scholarly or scientific purpose and not for commercial use.

I agree to pay reasonable duplication fees for the processing of this request.

I look forward to receiving your response within the twenty day statutory time period.

If you choose to deny this request, please provide a written explanation for the denial including a reference to the specific statutory exemption(s) upon which you rely. Also, please provide all segregable portions of otherwise exempt material.

Thank you for your assistance.

Sincerely,

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Pittsburgh, PA 15213
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Feb. 5, 2022

J. Russell George
Treasury Inspector General for Tax Administration
Ben Franklin Station
P.O. Box 589
Washington, DC 20044-0589

RE: Public records request

Dear J. Russell George:

Pursuant to the Pennsylvania Right-To-Know Law Statute, Act 3. Chap. 7. Procedure., I hereby request copies of the following records: the amount of all The American Red Cross' employees' compensation, salary and wages, and other benefits, their internal accounting records, and program expenses for biomedical services and domestic disaster services of 2020.

As the FOIA requires, please release all reasonably segregable nonexempt portions of documents. If your agency does not maintain these public records, please let me know who does and include the proper custodian's name and address.

In order to help to determine my status to assess fees, you should know that I am affiliated with an educational or noncommercial scientific institution, and this request is made for a scholarly or scientific purpose and not for commercial use.

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Thank you for your assistance.

Sincerely,

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