

Code Red for the Red Cross

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Revelations in the press for the last several months and by a Blue Ribbon Commission released earlier this month about mismanagement and corruption in the local chapter of the American Red Cross bear a striking—and not coincidental—resemblance to revelations in the press for the last several months and by a Senate report released earlier this week about mismanagement and corruption in the national organization of the American Red Cross. If this venerable institution, operating under a charter from Congress, is to survive, let alone prosper in its role of helping victims of disasters—if the good works of countless selfless volunteers and donors are not to be in vain—there will need to be a thorough housecleaning and reorganization from top to bottom. Declarations of disaster have, in effect, been issued for the American Red Cross itself.

Consider first what has been going on in the San Gabriel Pomona Valley Chapter, headquartered in Pasadena, and what needs to be done to regain the trust of the community it is meant to serve.

On August 17, 2005, on the front page of the *Los Angeles Times* there ran an article exposing the chief fundraiser of the local chapter, Fred Brito Gomez, as a convicted felon who admitted to embezzling from more people over the decades

than he could even remember; indeed, in April, 2005, he had been fired from his previous job—a \$100,000-a-year fundraising position at UCLA—when his résumé was revealed to be a fabrication. Under various aliases, Brito had been using this scam even to pose as a priest and psychiatrist.

Although Brito—like a hundred thousand or more other Angelenos—had read the *Times* article and expected to be fired the next day, nothing happened. Almost a month later, on the evening of September 16, Dereck Andrade, then Director of Public Affairs for the local Red Cross chapter, Googled "Fred Brito," who had been acting suspiciously, and came across the article in the *Times*, which had apparently been published when Andrade was out of town. Andrade immediately brought the incriminating information to the attention of their boss, Angie Turner, CEO of the local chapter.

After an initial reaction of "no, no, no," Turner instructed Andrade "on September 16 and during the week of September 19 [the date on which Brito would ultimately be terminated] ... to keep in confidence all personnel issues surrounding" Brito, according to a memo dated October 3.

The memo to Andrade went on to say, "We have since learned that you disregarded my explicit instructions and that you did in fact make a call on the morning of September 21 to a member of a public affairs office not within the American Red Cross."

Andrade does not deny having spoken to the press as of Sept. 21; but with reporters asking him ever more pointed questions, he did not want to be part of what he felt was "going to look like a cover-up."

Turner put Andrade on suspension—allegedly voluntary and with pay, according to an e-mail Turner sent out to the chapter staff, but actually involuntary and without pay, according to a letter given to Andrade. Andrade's attorney, James Otto, said in an interview for this article that he can produce both the e-mail and the letter. By mid-October, Andrade was fired.

Why was Turner so obsessed with trying to keep secret Brito's criminal past, which by then had been front-page news for over a month? On August 5, five days before he had been hired, a background check had revealed Brito's aliases and felony record. Turner claims his criminal check came back clean; Brito claims she knew about his record but believed him when he said it must have belonged to someone else by the same name. A note on the document says "Not same person."

According to Otto, Andrade's attorney, Turner had pushed Brito through the interview process during July of 2005 in order to hire someone, anyone, as Chief Financial Development Officer,

to replace one Elizabeth Lopez. Lopez had taken the local chapter of the Red Cross from the red to the black but in early 2005 was forced to take a medical leave of absence, which a doctor recommended and Turner approved in writing. Within a month, on March 29, 2005, Turner fired Lopez; Turner said there was not enough money in the budget for two senior fundraisers. However, according to Otto, there was no other Chief Financial Development Officer at this time—Brito would be hired, recklessly, in July, only after Otto had been appealing on behalf of Lopez to the national headquarters: This was a blatant violation of California labor law, according to Otto, motivated by Turner's contempt for female fundraisers and employees in general, an allegation Otto says is corroborated by Andrade and Cindy Harris, a consultant, both of whom were involved in hiring Brito but unaware of his criminal background at the time.

In addition to Andrade and Lopez, who claim their careers have been ruined and are, thus, asking in excess of \$1 million a piece in damages in lawsuits against Turner and the Red Cross, James Otto is also representing Ed Anderson, who resigned as program and services officer of the local chapter in December in yet another scandal involving Turner.

On September 19, 2005, Anderson made an appeal to the Pasadena City Council for a donation of \$100,000, to meet the local needs of Hurricane Katrina survivors (for whom the local community had donated over \$3 million). Anderson told the Council that \$70,000 had already been spent on food, shelter, clothing, and counseling, "with no end in sight."

On November 14, after several hearings, the Council tapped its tight budget and made the generous donation. What the Council was not told, however, was that leaders of the local chapter knew by early October at the latest that all but about \$15,000 of the expenses of the local chapter would be reimbursed by the national Red Cross.

When the truth came out, local media and civic leaders, led by City Councilman Paul Little, demanded that the Red Cross return the donation, which after much give and take, did occur, on February 16.

His reputation damaged, Anderson accuses Turner of fraud: He claims that Turner, who was originally called before the Council, sent Anderson instead but did not tell him about the national reimbursement policy. Anderson now works as the bioterrorism and emergency preparedness coordinator for the city of Pasadena; through his lawsuit, he seeks at the very least to retain his position and regain his reputation, as perhaps with a public statement by the Red Cross, according to his attorney, Otto.

Earlier this month, Turner stepped down as CEO of the local chapter of the Red Cross. That, however, was not a direct consequence of any of these lawsuits; no, it came two weeks after it was revealed that in the 1980s, when she was a registered nurse, Turner had been imprisoned as part of an international heroin smuggling ring.

However, according to Michael Zoeller, chairman of the San Gabriel Pomona Valley

chapter's board, Turner did not resign in the best interests of the chapter but for health reasons caused by negative media reports.

Why has Zoeller been so defensive of Turner? Perhaps it has something to do with the fact that, as chairman of the search committee who hired Turner in 2004, he was one of only two people at the chapter who knew of her criminal background. And yet he still decided to hire her; moreover, he kept it secret.

Actually, the hiring of CEOs for local chapters of the American Red Cross is overseen by regional Service Area Executives, in this instance, Ms. Pat Hofmaster, in Sacramento. For this article, attempts to contact Hofmaster, who has not responded to calls by another media organization, were unsuccessful: Voice-mail messages left with various representatives in the national headquarters and in the Sacramento chapter were not answered; and staff at the Pasadena chapter, although helpful, did not know Hofmaster's contact information.

And that—according to the Final Report of the Blue Ribbon Committee commissioned by Zoeller, under duress, and composed of twelve leading local citizens—is a big part of the problem: "The Sacramento-based Regional Executive now oversees 44 local chapters and is ultimately responsible for hiring and firing CEOs. ... In our opinion, there is no way the Regional Executive can provide anything but the most remote guidance and oversight. This, in turn, limits the regional office's ability to provide leadership and maintain credibility at the local level."

Moreover, according to the report, "because of its size and scope as a national institution, the American Red Cross is, perhaps of necessity, a bureaucratic, paper-driven system that we believe has not proven to be effective at the local level."

According to Donald F. McIntyre, an urban affairs consultant and a former Pasadena city manager, who chaired the committee and who was interviewed for this article, the mismanagement of the local chapter was "not taken as seriously as it should." In particular, McIntyre noted that although many members of the board of such charitable organizations serve out of a sense of service to the community, others sit on a board simply because their companies want good public relations; and in either case, as cited in the report, there is insufficient leadership training and development for board members. Indeed, the Blue Ribbon Commission strongly recommends that before a new permanent CEO is even sought out, there should be a carefully organized retreat or series of workshops for members of the board, whose size should be reduced to a more manageable number.

Stewardship, fiduciary responsibility, and good communication are among the keys to successful management, of a non-profit or, in a larger sense, any substantial organization.

In addition, the report recommends adding to the board the perspective of the volunteers, many of whom have been understandably demoralized by these very regrettable incidents.

These findings and recommendations for the San Gabriel Pomona Valley Chapter of the American Red Cross are indeed strikingly similar to those released this Monday in a letter by Sen. Charles Grassley (R-Iowa) to the Board of Governors of the American Red Cross, in Washington, D.C., as a result of an investigation by the Committee on Finance, which the senator chairs. The inquiry was prompted in December by the resignation of Marsha J. Evans as CEO of the national organization, in the wake of the generally criticized performance by the Red Cross, mirroring that of FEMA, in the aftermath of Hurricane Katrina.

Having first scrutinized the Red Cross in the aftermath of 9/11—when another Red Cross CEO stepped down, as monies raised for victims were being diverted to other purposes—Grassley states in his letter that "I am concerned the Red Cross appears at times to be more interested in image than results and wants to shut out those volunteers and employees who want to improve the Red Cross."

Grassley continues by writing "many organizations can trace their problems to board governance. This is true whether it be non-profit or for-profit."

"I am troubled by the number of the board of governors, particularly government-appointed board members, who rarely attend board meetings and often send representatives who do little more than sit in a chair."

"In contrast to the lack of board participation [in oversight] ... I am receiving reports of overly intrusive participation by some board members,

i.e., board members who cross the line and get involved in the day-to-day management of the Red Cross."

With respect to large boards, "when everyone is in charge, no one is in charge."

"Generally, the non-profit sector, like the commercial sector, has come to recognize that smaller boards—which meet more frequently and have standing committees focused on particular issues relevant to the organization—are more effective than overly large boards which meet infrequently, often by telephone, and whose members sometimes regard board service as an honorary function."

Differing sharply with the conclusion of the Blue Ribbon Committee's report on the San Gabriel Pomona Valley chapter, Grassley writes, "to be effective, the Red Cross must vigorously oversee chapters and discipline chapters as well as ensure that national standards are in place and met by the chapters." The local chapter report did, however, recommend leadership training as through the national organization.

In addition, Grassley writes, "the Red Cross cannot be all things in response to disaster. For the Red Cross to succeed in its mission of disaster relief, it must work in concert with the entire charitable community."

Grassley concludes with his most damning indictment: "In my twenty plus years of conducting oversight I have rarely had as significant a response from the public as I have had from my December 29th letter to the Red

Cross. ... The vast majority [of volunteers and employees] spoke with admiration for the goals of the Red Cross but tempered that by first-hand observations."

"I am particularly troubled that several volunteers have told me that when they tried to raise concerns or issues about possible misuses of donated funds and property—including suspected criminal activity—the volunteers were ignored, told to leave, or otherwise made to feel like the skunk at the picnic. This type of culture, a culture that discourages people from coming forward, management that does not want to hear the bad news, and is more concerned about good press than good results, is a theme that I am hearing too often from Red Cross volunteers. I cannot emphasize enough how important it is to correct this culture—perceived or real."

And what is the response of our local chapter to the scathing report of the Blue Ribbon Committee? In the official statement released by Mike Zoeller, the Chairman of the Board, taking heat especially for his support of disgraced CEO Turner, "the Board of Directors of the San Gabriel Pomona Valley Chapter of the American Red Cross is extremely grateful to the twelve members of the Blue Ribbon Committee who gave their time and energy to shaping a better local Red Cross."

"The Board has immediately formed an ad hoc task force of Board members to thoroughly review all of the Blue Ribbon Committee's suggestions and to report back to the full Board as soon as possible with recommendations for implementation."

And the response of the national organization to the letter from Sen. Grassley? "We are fully cooperating with the Senate Finance Committee and Chairman Grassley in response to their questions regarding the operations of the American Red Cross. The American Red Cross is committed to learning from our prior challenges and making the necessary changes to improve the delivery of services to the American people."

www.kcaaradio.com. He may be e-mailed at doug@douglasdrenkow.com.

"The American Red Cross has initiated an independent governance review and will soon host a summit on corporate governance best practices, all with the purpose of developing concrete recommendations."

One would hope that such professions are made in good faith. But as the Blue Ribbon Committee noted, "the public trust of the local chapter has been seriously damaged."

And as Sen. Grassley wrote, "the public needs full confidence in the Red Cross. Certain incidents have shaken that confidence. It's important for the Red Cross to go the extra mile with governance reforms to ensure public confidence."

We've had enough of confidence games.

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Douglas Drenkow is a political commentator in print and online; he is also an associate producer of the talk show Barry Gordon From Left Field, broadcast Sunday from 2 to 5 pm on KCAA 1050 AM and webcast on