

# GAO Highlights

Highlights of [GAO-15-565](#), a report to the Ranking Member, Committee on Homeland Security, House of Representatives

## Why GAO Did This Study

The Red Cross is the nation's largest nonprofit organization involved in disaster relief. The organization provides services such as sheltering and food assistance, and it has a leadership role in the federal disaster response framework. However, questions have been raised over its ability to respond effectively to large disasters. GAO was asked to examine the organization's disaster services.

This report addresses (1) the key factors affecting the nature and extent of the Red Cross's disaster services, (2) how it coordinates with the federal government on disaster assistance, and (3) what external oversight exists of its disaster services. GAO reviewed relevant policy documents and federal statutes and interviewed officials from the Red Cross and FEMA; interviewed staff involved in a nongeneralizable sample of three disasters from 2012 to 2014 that varied in magnitude, type, and location; and interviewed officials from federal agencies with a role in Red Cross oversight, six state attorney general offices selected to achieve diversity in their approaches to charity oversight, and several nonprofit organizations.

## What GAO Recommends

Congress should consider establishing a federal mechanism for regular, external evaluations of the Red Cross's performance in domestic disasters. In its comments, the Red Cross neither agreed nor disagreed with GAO's matter for congressional consideration, but noted it is open to participating in additional evaluation activities convened by FEMA or other government partners.

View [GAO-15-565](#). For more information, contact Andrew Sherrill at (202) 512-7215 or [sherrilla@gao.gov](mailto:sherrilla@gao.gov).

September 2015

## AMERICAN RED CROSS

### Disaster Assistance Would Benefit from Oversight through Regular Federal Evaluation

## What GAO Found

Key factors affecting the nature and extent of the American Red Cross's (Red Cross) disaster assistance include its standard set of services and the unique needs of affected communities. The Red Cross is involved in three phases of emergency assistance: immediate response, longer-term recovery, and preparedness. For response, it has a standardized set of services and procedures which may be adjusted based on unique local needs or to avoid duplicating other organizations' work, according to Red Cross officials and documents. In recovery and preparedness, officials said decision-making has historically not been as standardized. In recovery in particular, the organization's services have been significantly influenced by the amount of donations received following particular disasters. However, the Red Cross is implementing a more standardized approach in both of these areas.

The Red Cross and the federal government coordinate in disasters largely by sharing information. For example, the Red Cross and the Federal Emergency Management Agency (FEMA) share information on the resources available for the response to major disasters, and on where assistance is needed during recovery. While coordination in response to disasters is clearly established in written agreements, the Red Cross's role in recovery has not been as clearly defined up to now. FEMA and the Red Cross's 2010 memorandum of agreement laid out 18 tasks for which the Red Cross was responsible, but only three related to recovery, such as helping to create community-wide recovery strategies. FEMA regional staff told us the agreement did not reflect other tasks the Red Cross may perform during recovery, such as providing case management. The two organizations signed a revised agreement with additional details on coordination during recovery that was executed on July 28, 2015.

The federal government, states, and the nonprofit sector conduct oversight of the Red Cross that is focused on governance and financial issues, not the organization's performance in disasters. Among federal agencies, the Internal Revenue Service reviews data on expenditures, revenues, and governance that the Red Cross is required to submit annually to maintain its tax exempt status; the Department of Defense, as required by statute, reviews the organization's annual financial statement; and FEMA and the State Department monitor its services in the rare cases when they fund those services. In addition, state attorneys general have an important role in investigating fraud and mismanagement at nonprofits, although according to one expert, states typically focus on newer, less established nonprofits rather than the Red Cross. Finally, a number of nonprofit watchdogs monitor the governance and financial practices of charitable organizations, including the Red Cross, with the aim of informing decisions about charitable giving. Despite these various forms of oversight, no regular, independent evaluations are conducted of the impact or effectiveness of the Red Cross's disaster services. While not a federal agency, the Red Cross is an instrumentality of the United States and has a critical role under the nation's disaster response system. Consistent with federal internal control standards on analyzing and managing risks associated with achieving federal objectives, the federal government has a clear stake in ensuring that proper oversight of the Red Cross takes place.