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### **American Red Cross Ethics**

On August 23, 2005 as Hurricane Katrina brewed, one of the largest public relations disasters a non-profit relief organization had yet to see was also brewing. The fraudulent actions and inability of the American Red Cross to uphold its mission were discussed in the article, *The American Red Cross and Hurricane Katrina* published by The Pennsylvania State University. In the aftermath of Hurricane Katrina it was found that the ARC failed to follow tracking and distributing procedures of donated material goods as well as money. It's inability to respond in a timely manner signaled its lack of proper organizational structure and the fraudulent activities drew its ethics into question.

The events and actions of the ARC failed to align with the Association of Fundraising Professionals Code of Ethical Principles and Standards of Professional Practice. Specifically Standard No. 10 "members shall take care to ensure proper stewardship of philanthropic contributions, including timely reports on the use and management of such funds." Volunteers and staff put personal gain above public trust and did not act in accordance with donors' intentions.

Lack of a structured disaster relief plan and failure of tracking procedures led to Americans questioning the organization. About \$5 million in losses after 4,000 cases of fraudulent assistance were investigated as of 2005 and Senator Chuck Grassley called for an overhaul of operations.

The poor leadership led to a lack of strategic planning and the ethical violations were most likely a result of poor leadership and lack of guidelines. If structured governance had been in place at all call centers and all procedures were followed, trust would not have been breached. Although the organization failed in some aspects, it did immediately respond to criticism. A fact sheet was sent out with a hotline phone number and a letter to the American people that addressed Grassley's inquiry. The ARC's ethical violations show the importance of strategic planning, structured operations, and a code of ethics. Without the trust of donors there would be no money to implement the mission of the organization.

As they ARC has reorganized its procedures, they have created a new response activity to disasters called RICE: Response, investigation, compliance, and ethics. Hopefully this will increase trust and ethical activities in the organization to avoid fraud and abuse. Non-profit organizations should take the American Red Cross' poor response as an example in how important trust and transparency are to the health of their operations.