by the President of the United States. The board appoints a president and CEO to manage the business activities of the Red Cross. The ARC has more than 700 local chapters across the country, all of which receive funding from the national Red Cross. Directors of local chapters are authorized to run day-to-day operations. Representatives of the local chapters nominate members of the local boards of governors.

ORGANIZATIONAL AND LEADERSHIP UPHEAVAL

Trouble at the Top: Executive Turnover

The first decade of the twenty-first century saw a high rate of turnover in the boardroom at the Red Cross. Since Elizabeth Dole's resignation as chair in 1999 the ARC has had seven different permanent or acting heads. President and CEO Bernadine Healy (1999–2001) was forced to resign following mismanagement of the response to the September 11th attacks. Similarly, President and CEO Marsha J. Evans (2002–2005) was ousted after the ARC's botched handling of Hurricane Katrina, though the official reason for her departure was communication problems with the board. Mark W. Everson was President and CEO for the brief period between May 29 and November 27, 2007. He was forced to resign after an inappropriate sexual relationship with a subordinate came to light.

This frequent executive turnover has significantly weakened the organization's ability to carry out its federal mandate. Some blame the oversized board of directors. "The board seems to think it is a hiring and firing agency, and does not see its role as building a strong Red Cross," said Paul C. Light, the Paulette Goddard Professor of Public Service at New York University. "The constant change in leadership is debilitating and does nothing to address the real problem, which is years and years of underinvestment in telecommunications, technology, and other infrastructure to help the organization with its mission." In the cases of both Healy and Everson, the board spent a considerable amount of time and money conducting a search for the "right person," nearly two years and 18 months, respectively.

The agency's reputation has been further tarnished by the ARC's history of awarding large severance packages to ousted executives, no matter how short the term served. Bernadine Healy received $1.9 million in salary and severance pay upon her departure in late 2001. Marsha Evans received a total of $780,000 in 2005; this comprised 18 months' severance pay. Speaking of the damage to the organization, Diana Aviv, president and chief executive of the Independent Sector, a nonprofit trade association, said, "The tragedy of this is that the American Red Cross is probably the best-known nonprofit organization in this country. When the stories about it are more about governance and management and less about how it saves lives, it's sad and not just for the Red Cross."

Leadership troubles have extended into the local chapters as well. In a story on the ARC, CBS News cited a laundry list of misconduct: "the fundraiser in Louisiana caught padding her own bank account with donations; the manager in Pennsylvania who embezzled to support her crack cocaine habit; and the executive in Maryland who forged signatures on purchase orders meant for disaster victims." One of the biggest charity frauds in history occurred at the ARC's Hudson County chapter in New Jersey. Chief executive Joseph Lecowitch and bookkeeper Catalina Escoto stole well over $1 million in Red Cross funds, squandering it on gambling and gifts to themselves. Escoto also gave herself at least $75,000 in bonuses. Even after Congress mandated changes meant to do away with such problems, in 2007 an executive in Orange County pleaded guilty to federal charges that she had embezzled at least $110,000 of the organization's money.