

WASHINGTON STATE'S RISK MANAGEMENT PRACTICES

SCOPE AND OBJECTIVES

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STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

STUDY TEAM

Cynthia L. Forland
Stacia Hollar

PROJECT SUPERVISOR

Keenan Konopaski

LEGISLATIVE AUDITOR

Ruta Fanning

Joint Legislative Audit &
Review Committee
1300 Quince St SE
Olympia, WA 98504-0910
(360) 786-5171
(360) 786-5180 Fax

Website:

www.jlarc.leg.wa.gov
e-mail: neff.barbara@leg.wa.gov

Why a Study of How Risk Management Practices Impact State Conduct and Tort Payouts?

Prior to 1961, opportunities to sue the state were limited. In that year, the Legislature acted to allow the state to be sued to the same extent as a private person or corporation. In fiscal year 2009, the state paid out \$57.3 million for claims made against the state. With the goal of preventing such losses, the state engages in risk management practices.

The 2009-11 Operating Budget (ESHB 1244) requires the Joint Legislative Audit and Review Committee (JLARC) to review the effect of risk management practices on state conduct and tort payouts (i.e., payouts arising from lawsuits against the state for causing injury).

A Brief History of Risk Management Legislation in Washington

In 1977, the Legislature created a risk management office within the Department of General Administration. That same legislation defined "risk management" as the total effort and continuous step-by-step process of risk identification, measurement, minimization, assumption, transfer, and loss adjustment aimed at protecting state assets and revenues against accidental loss.

In response to increasing payouts for judgments and claims against the state, the Governor and Attorney General undertook a risk management initiative in 2001. That effort included a task force which developed a set of recommendations. The Legislature enacted two of the task force's recommendations in 2002:

1. Increase the visibility of statewide risk management by transferring those responsibilities from the Department of General Administration to the Office of Financial Management; and
2. Institute Loss Prevention Reviews whenever the death of a person, serious injury to a person, or other substantial loss is alleged or suspected to be caused at least in part by the conduct of a state agency.

Legislature Directs JLARC to Analyze Post-Incident Reviews

One way of managing risk is to review serious incidents after they occur, which may be referred to as post-incident reviews. One specific type of post-incident review is the Loss Prevention Reviews established in statute in 2002.

The Director of Financial Management is responsible for determining whether an incident merits a Loss Prevention Review. To date, OFM has issued 10 Loss Prevention Review reports and determined that 1,711 incidents did not merit a Loss Prevention Review.

Study Scope

JLARC will review the statewide requirements for and the practice of post-incident reviews, including statutorily established Loss Prevention Reviews. JLARC will also identify more general statewide risk management requirements.

Study Objectives

- 1) What are current post-incident review requirements, practices, and costs?
- 2) Have post-incident reviews impacted state conduct and tort payouts?
- 3) What other statewide risk management practices are focused on reducing serious incidents, and what are their costs?
- 4) Have statewide risk management practices impacted state conduct and tort payouts?
- 5) What lessons can we learn from other states' approaches to reducing serious incidents?

Timeframe for the Study

Staff will present the preliminary and final reports at the JLARC May and June 2011 meetings, respectively.

JLARC Staff Contact for the Study

Cynthia L. Forland (360) 786-5178 forland.cynthia@leg.wa.gov
Stacia Hollar (360) 786-5191 hollar.stacia@leg.wa.gov

