

**MONTANA MEDICAL
LEGAL PANEL**

AUDITED FINANCIAL STATEMENTS

December 31, 2007 and 2006



Prepared Under Contract With:
MONTANA LEGISLATIVE BRANCH, AUDIT DIVISION
PO Box 201705, Helena MT 59620-1705

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**ADMINISTRATIVE OFFICIALS
MONTANA MEDICAL LEGAL PANEL**

G. Brian Zins
Kathleen Stepp

Director
Assistant Director

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel



Deputy Legislative Auditors:
James Gillett
Angie Grove

February 2009

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Montana Medical-Legal Panel, Montana Supreme Court, for the year ended December 31, 2007.

The audit was conducted by Junkermier, Clark, Campanella, Stevens, P.C., under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

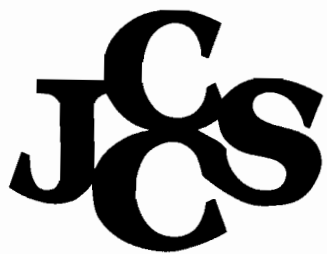
The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

08C-01



**Junkermier • Clark
Campanella • Stevens • P.C.**

Certified Public Accountants and Business Advisors

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INDEPENDENT AUDITORS' REPORT

To the Director
Montana Medical Legal Panel
Helena, Montana

We have audited the accompanying statements of assets, liabilities, and surplus - cash basis of Montana Medical Legal Panel, as of December 31, 2007 and 2006, and the related statements of revenues, expenses, and changes in surplus - cash basis for the years then ended. These financial statements are the responsibility of Montana Medical Legal Panel's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Montana Medical Legal Panel as of December 31, 2006, were audited by other auditors whose report dated June 15, 2007, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, Montana Medical Legal Panel prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and surplus of the Montana Medical Legal Panel, as of December 31, 2007 and 2006, and its revenue, expenses and changes in surplus for the years then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2009, on our consideration of Montana Medical Legal Panel's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Montana Medical Legal Panel taken as a whole. The schedules of revenue collected and expenses paid - budget vs actual for the years ended December 31, 2007 and 2006 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for that marked budget, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
February 19, 2009

MONTANA MEDICAL LEGAL PANEL
STATEMENT OF ASSETS, LIABILITIES, AND SURPLUS - CASH BASIS
December 31, 2007 and 2006

		December 31	
		2007	2006
ASSETS			
CURRENT ASSETS			
Cash in bank		\$ 313,217	\$ 311,885
Total assets		<u>\$ 313,217</u>	<u>\$ 311,885</u>
LIABILITIES AND SURPLUS			
SURPLUS			
Surplus		\$ 313,217	\$ 311,885
Total liabilities and surplus		<u>\$ 313,217</u>	<u>\$ 311,885</u>

See the notes to financial statements.

MONTANA MEDICAL LEGAL PANEL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN SURPLUS - CASH BASIS
December 31, 2007 and 2006

	Years ended December 31	
	2007	2006
REVENUES		
Assessment fees	\$ 853,381	\$ 1,011,637
Interest income	7,148	6,611
Miscellaneous Income	<u>4,684</u>	<u>4,877</u>
Total revenues	<u>865,213</u>	<u>1,023,125</u>
EXPENSES		
Administrative	318,852	318,852
Panelist Hearing Time	85,194	96,674
Panelist preparation and travel time	45,280	52,583
Panelist travel	69,675	87,704
Meeting Rooms	10,462	11,463
Records reproduction	65,719	54,485
Postage	30,709	27,762
Medical Records and x-rays	22,913	26,593
Telephone	4,485	4,962
Office Supplies	9,069	8,166
Panel Legal Counsel	42,000	45,511
Panel Consultant	78,714	78,059
Computer Software	66,250	33,540
Liability Insurance	500	1,000
Temporary Personnel	8,295	15,357
Miscellaneous	<u>5,764</u>	<u>3,065</u>
Total expenses	<u>863,881</u>	<u>865,776</u>
INCREASE IN SURPLUS	1,332	157,349
Surplus, beginning of year	<u>311,885</u>	<u>154,536</u>
SURPLUS, END OF YEAR	<u>\$ 313,217</u>	<u>\$ 311,885</u>

See the notes to financial statements.

**MONTANA MEDICAL LEGAL PANEL
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Montana Medical Legal Panel was established by the "Montana Medical Legal Panel Act" as authorized by Section 27-6-101 and 104 MCA. The panel is attached to the Montana Supreme Court for administrative purposes only, except that 2-15-121(2) M.C.A. does not apply.

The Montana Medical Legal Panel was created to review all malpractice claims or potential claims against health care providers. The purpose of the Montana Medical Legal Panel is to prevent, whenever possible, the filing of court actions against health care providers and their employees for professional liability situations in which the facts do not permit at least a reasonable inference of malpractice. Also, the purpose of the Montana Medical Legal Panel is to make possible the fair and equitable disposition of such claims against health care providers as are or reasonably may be well founded.

Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, revenue is recorded when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred.

Assessment Fees

The Montana Medical Legal Panel is funded by an annual assessment fee levied against licensed physicians, dentists, podiatrists, hospitals, and other health care facilities in an amount sufficient to meet all panel costs. Annual assessments are apportioned among each group of health care providers according to the number of claims brought against each type of provider.

2. CASH DEPOSITS

Cash in the bank consists of the following deposit accounts:

	<u>2007</u>	<u>2006</u>
Valley Bank - checking	\$ 81,442	\$ 26,222
US Bank - savings	13,549	11,026
American Federal Savings Bank - savings	4,136	59,099
First Community Bank - savings	99,274	99,330
First Interstate Bank - savings	5,462	3,703
First Security Bank - savings	5,491	5,624
Mountain West Bank - savings	3,605	8,229
Flint Creek Valley Bank - savings	<u>100,258</u>	<u>98,652</u>
	<u>\$ 313,217</u>	<u>\$ 311,885</u>

Individual accounts are insured up to \$100,000.

**MONTANA MEDICAL LEGAL PANEL
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006**

3. RELATED PARTIES

Brian Zins is director of both the Montana Medical Association and the Montana Medical Legal Panel. The Montana Medical Association bills the Montana Medical Legal Panel for services and facilities provided to that organization. This administrative fee is subject to the approval of the Chief Justice of the Montana Supreme Court. The Montana Medical Association was paid administrative fees of \$318,852 and \$318,852 in 2007 and 2006.

4. RISK MANAGEMENT

The Panel is exposed to risk of loss primarily through the possible errors and omissions pertaining to claims filed with the Panel. This risk is transferred through the purchase of a professional liability policy from a private insurance carrier.

MONTANA MEDICAL LEGAL PANEL
SCHEDULE OF REVENUES COLLECTED AND EXPENSES PAID - BUDGET VS. ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

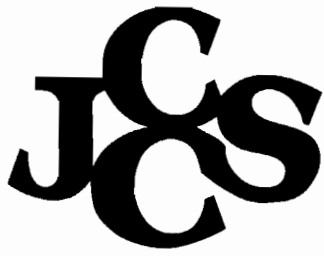
	<u>Years ended December 31</u>		
	<u>2007</u>		
	<u>TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> FAVORABLE (UNFAVORABLE)
REVENUE			
Assessment fees - Physicians	\$ 853,381	\$ 857,311	\$ (3,930)
Interest Income	7,148	5,029	2,119
Miscellaneous Income	<u>4,684</u>	<u>2,737</u>	<u>1,947</u>
	865,213	865,077	136
EXPENSE			
Administrative	318,852	318,484	368
Panelist Hearing Time	85,194	112,500	(27,306)
Panelist Prep and Travel Time	45,280	75,000	(29,720)
Panelist Travel	69,675	98,500	(28,825)
Meeting Rooms	10,462	13,500	(3,038)
Records Reproduction	65,719	65,000	719
Postage	30,709	30,000	709
Medical Records and X-Rays	22,913	31,000	(8,087)
Telephone	4,485	7,500	(3,015)
Office Supplies	9,069	9,000	69
Panel Legal Counsel	42,000	50,000	(8,000)
Panel Consultant	78,714	50,000	28,714
Legal Defense	-	10,000	(10,000)
Computer Software	66,250	50,000	16,250
Liability Insurance	500	5,000	(4,500)
Temporary Personnel	8,295	20,000	(11,705)
Miscellaneous	<u>5,764</u>	<u>7,500</u>	<u>(1,736)</u>
	<u>863,881</u>	<u>952,984</u>	<u>(89,103)</u>
Net Income (Loss)	<u>1,332</u>	<u>(87,907)</u>	<u>89,239</u>

See the accompanying independent auditors' report.

MONTANA MEDICAL LEGAL PANEL
SCHEDULE OF REVENUES COLLECTED AND EXPENSES PAID - BUDGET VS. ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Years ended December 31</u>		
	<u>2007</u>		
	<u>TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> FAVORABLE (UNFAVORABLE)
REVENUE			
Assessment fees - Physicians	\$ 1,011,637	\$ 991,380	\$ 20,257
Interest Income	6,611	2,737	3,874
Miscellaneous Income	<u>4,877</u>	<u>-</u>	<u>4,877</u>
	1,023,125	994,117	29,008
EXPENSE			
Administrative	318,852	266,526	52,326
Panelist Hearing Time	96,674	135,000	(38,326)
Panelist Prep and Travel Time	52,583	75,000	(22,417)
Panelist Travel	87,704	110,000	(22,296)
Meeting Rooms	11,463	15,000	(3,537)
Records Reproduction	54,485	80,000	(25,515)
Postage	27,762	36,000	(8,238)
Medical Records and X-Rays	26,593	35,000	(8,407)
Telephone	4,962	9,000	(4,038)
Office Supplies	8,166	7,000	1,166
Panel Legal Counsel	45,511	100,000	(54,489)
Panel Consultant	78,059	-	78,059
Legal Defense	-	10,000	(10,000)
Computer Software	33,540	25,000	8,540
Liability Insurance	1,000	5,000	(4,000)
Temporary Personnel	15,357	25,000	(9,643)
Miscellaneous	<u>3,065</u>	<u>7,500</u>	<u>(4,435)</u>
	<u>865,776</u>	<u>941,026</u>	<u>(75,250)</u>
Net Income (Loss)	<u>157,349</u>	<u>53,091</u>	<u>104,258</u>

See the accompanying independent auditors' report.



**Junkermier • Clark
Campanella • Stevens • P.C.**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Director
Montana Medical Legal Panel
Helena, Montana

We have audited the financial statements of Montana Medical Legal Panel as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated February 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Montana Medical Legal Panel's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that a misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montana Medical Legal Panel's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Montana Medical Legal Panel in a separate letter dated February 19, 2009.

This report is intended solely for the information and use of the legislative audit committee and the Director and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
February 19, 2009

MONTANA MEDICAL LEGAL PANEL

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March 11, 2009

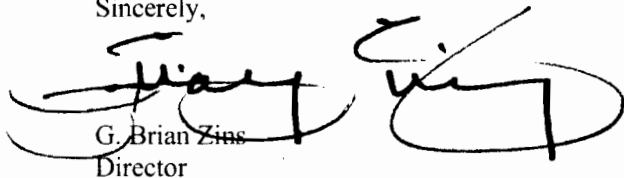
Junkermier, Clark, Campanella, Stevens, P.C.
Certified Public Accountants
P.O. Box 1164
Helena, Montana 59624

RE: Montana Medical Legal Panel

Dear Junkermier, Clark, Campanella, Stevens, P.C.

We have reviewed the draft audit report for the Montana Medical Legal Panel. We are pleased that our Panel meets accounting standards and that no recommendations for improvement were noted.

Sincerely,



G. Brian Zins
Director