

**MONTANA CHIROPRACTIC
LEGAL PANEL
AUDITED FINANCIAL STATEMENTS
June 30, 2008 and 2007**

**JUNKERMIER, CLARK, CAMPANELLA, STEVENS, P.C.
Certified Public Accountants and Business Advisors**

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel



Deputy Legislative Auditors:
James Gillett
Angie Grove

November 2008

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Montana Chiropractic Legal panel for the two fiscal years ended June 30, 2008.

The audit was conducted by Junkermier, Clark, Campanella, Stevens, PC 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-10

**MONTANA CHIROPRACTIC LEGAL PANEL
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**ADMINISTRATIVE OFFICIALS
MONTANA CHIROPRACTIC LEGAL PANEL**

2007-2008

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INDEPENDENT AUDITORS' REPORT

To the Director
Montana Chiropractic Legal Panel
Helena, MT

We have audited the accompanying statements of assets, liabilities, and surplus - cash basis of Montana Chiropractic Legal Panel, as of June 30, 2008 and 2007, 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 Chiropractic Legal Panel's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Chiropractic 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 Chiropractic Legal Panel, as of June 30, 2008 and 2007, 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 November 3, 2008, on our consideration of Montana Chiropractic 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 important for assessing the results of our audit.

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

Helena, Montana
November 3, 2008

Bozeman • Great Falls • Helena • Kalispell • Missoula • Whitefish

**MONTANA CHIROPRACTIC LEGAL PANEL
STATEMENT OF ASSETS, LIABILITIES, AND SURPLUS - CASH BASIS**

		June 30	
		<u>2008</u>	<u>2007</u>
ASSETS			
CURRENT ASSETS			
Cash in bank		\$ 15,357	\$ 3,234
Time certificates of deposit		<u>-</u>	<u>21,599</u>
Total current assets		<u>\$ 15,357</u>	<u>\$ 24,833</u>
Total assets		<u><u>\$ 15,357</u></u>	<u><u>\$ 24,833</u></u>
LIABILITIES AND SURPLUS			
SURPLUS			
Surplus		<u>\$ 15,357</u>	<u>\$ 24,833</u>
Total liabilities and surplus		<u><u>\$ 15,357</u></u>	<u><u>\$ 24,833</u></u>

See the notes to financial statements.

MONTANA CHIROPRACTIC LEGAL PANEL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN SURPLUS - CASH BASIS

	Years ended June 30	
	2008	2007
REVENUES		
Interest income	\$ 1,061	\$ 338
Penalty on certificate of deposit	<u>(1,883)</u>	<u>(701)</u>
Total revenues	<u>(822)</u>	<u>(363)</u>
EXPENSES		
Audit	-	4,800
Bank service charges	35	-
Hearing expenses	3,342	-
Management fee	4,335	3,021
Postage	123	6
Printing	557	-
Rent	42	40
Supplies	58	-
Telephone	47	-
Other expenses	<u>115</u>	<u>-</u>
Total expenses	<u>8,654</u>	<u>7,867</u>
(DECREASE) IN SURPLUS	(9,476)	(8,230)
Surplus, beginning of year	<u>24,833</u>	<u>33,063</u>
SURPLUS, END OF YEAR	<u>\$ 15,357</u>	<u>\$ 24,833</u>

See the notes to financial statements.

MONTANA CHIROPRACTIC LEGAL PANEL
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Montana Chiropractic Legal Panel was established by the "Montana Chiropractic Legal Panel Act" as authorized by Section 27-12-101 and 104 MCA. The panel is a quasi-governmental entity and is allocated to the Montana supreme court for administrative purposes only, except that 2-12-121(2) MCA does not apply.

The Montana Chiropractic Legal Panel was created to review all malpractice claims or potential claims against chiropractic physicians, except claims subject to a valid arbitration agreement allowed by law. The purpose of the Montana Chiropractic Legal Panel is to prevent, whenever possible, the filing of court actions against chiropractic physicians 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 Chiropractic Legal Panel is to make possible the fair and equitable disposition of such claims against chiropractic physicians 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 Chiropractic Legal Panel is funded by an annual assessment fee levied on all chiropractic physicians at the beginning of each fiscal year, beginning July 1. The amount of the assessment is set annually by the director and is equally assessed against all chiropractic physicians. A fund surplus at the end of the year that is not required for the administration of the Montana Chiropractic Legal Panel must be retained by the director and used to finance the administration for the Montana Chiropractic Legal Panel during the next fiscal year, in which event the director will reduce the next annual assessment to an amount estimated to be necessary for the proper administration of Montana Chiropractic Legal Panel during that fiscal year. The fund and any income from it must be held in trust, deposited in an account, and invested and reinvested by the director. There were no assessments levied for the fiscal years ended June 30, 2007 and 2008.

2. PANEL HEARINGS

The Montana Chiropractic Legal Panel held no hearings during fiscal year ending June 30, 2007 and one hearing during fiscal year ending June 30, 2008.



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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 Chiropractic Legal Panel
Helena, MT

We have audited the financial statements of Montana Chiropractic Legal Panel as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated November 3, 2008. 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 Chiropractic Legal Panel's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montana Chiropractic Legal Panel's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Montana Chiropractic Legal Panel's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Montana Chiropractic Legal Panel's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Montana Chiropractic Legal Panel's financial statements that is more than inconsequential will not be prevented or detected by the Montana Chiropractic Legal Panel's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Financial Accounting and Reporting

Employees and management lack the qualifications and training to prepare financial statements in accordance with the cash basis of accounting. Internal controls should be in place to allow employees or management to apply accounting principles in conformity with the cash basis of accounting and prepare the financial statements of the Organization. Because the employees and management are unable to prepare the financial statements of the Organization, their auditors prepared the financial statements in accordance with the cash basis of accounting. The auditors can not be part of the Organization's internal control process.

We recommend the Organization (1) implement procedures to improve internal control over the preparation of your financial statements in accordance with the cash basis of accounting, such as providing employees and management additional training or hiring a third party, or (2) accept this deficiency and its affects on internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Montana Chiropractic Legal Panel's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montana Chiropractic 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 Chiropractic Legal Panel in a separate letter dated November 3, 2008.

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
November 3, 2008



MONTANA CHIROPRACTIC LEGAL PANEL

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Director:
Mary Lou Garrett

November 19, 2008

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

RE: Montana Chiropractic Legal Panel Response

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

I have reviewed the draft audit report for the Montana Chiropractic Legal Panel. I am pleased that the Panel meets accounting standards and I have responded to the recommendation for improvement that was noted.

Sincerely,

A handwritten signature in cursive script that reads "Mary Lou Garrett".

Mary Lou Garrett, Director
Montana Chiropractic Legal Panel