

**MONTANA MEDICAL LEGAL
PANEL**

AUDITED FINANCIAL STATEMENTS

December 31, 2008 and 2007

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel



Deputy Legislative Auditors:
James Gillett
Angie Grove

November 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, 2008.

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

09C-05

MONTANA MEDICAL LEGAL PANEL

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**MONTANA MEDICAL LEGAL PANEL
ADMINISTRATIVE OFFICIALS**

G. Brian Zins
Kathleen Stepp

Director
Assistant Director



**Junkermier • Clark
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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, 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 Medical 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 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, 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 30, 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, 2008 and 2007 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
November 30, 2009

**MONTANA MEDICAL LEGAL PANEL
STATEMENT OF ASSETS, LIABILITIES, AND SURPLUS - CASH BASIS
December 31, 2008 and 2007**

		December 31	
		2008	2007
ASSETS			
CURRENT ASSETS			
Cash in bank		\$ 393,709	\$ 313,217
Total assets		\$ 393,709	\$ 313,217
LIABILITIES AND SURPLUS			
SURPLUS			
Surplus		\$ 393,709	\$ 313,217
Total liabilities and surplus		\$ 393,709	\$ 313,217

See the notes to financial statements.

MONTANA MEDICAL LEGAL PANEL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN SURPLUS - CASH BASIS
December 31, 2008 and 2007

	Years ended December 31	
	2008	2007
REVENUES		
Assessment fees	\$ 875,717	\$ 853,381
Interest income	5,657	7,148
Miscellaneous income	2,769	4,684
Total revenues	884,143	865,213
EXPENSES		
Administrative	318,852	318,852
Computer software	90,825	66,250
Panelist travel	77,416	69,675
Panelist hearing time	71,634	85,194
Records reproduction	53,411	65,719
Panelist preparation and travel time	42,640	45,280
Panel legal counsel	42,000	42,000
Medical records and x-rays	25,602	22,913
Postage	24,815	30,709
Temporary personnel	18,785	8,295
Panel consultant	13,250	78,714
Meeting rooms	11,932	10,462
Office supplies	5,670	9,069
Telephone	3,459	4,485
Miscellaneous	2,959	5,764
Liability insurance	401	500
Total expenses	803,651	863,881
INCREASE IN SURPLUS	80,492	1,332
Surplus, beginning of year	313,217	311,885
SURPLUS, END OF YEAR	\$ 393,709	\$ 313,217

See the notes to financial statements.

**MONTANA MEDICAL LEGAL PANEL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Montana Medical Legal Panel ("the 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, and 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 as of December 31:

	2008	2007
Valley Bank - checking	\$ 85,204	\$ 81,442
US Bank - savings	89,767	13,549
American Federal Savings Bank - savings	9,591	4,136
First Community Bank - savings	99,408	99,274
First Interstate Bank - savings	4,339	5,462
First Security Bank - savings	5,132	5,491
Mountain West Bank - savings	3,969	3,605
Flint Creek Valley Bank - savings	96,299	100,258
	\$ 393,709	\$ 313,217

Individual accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 and balances throughout the year did not exceeded this amount.

**MONTANA MEDICAL LEGAL PANEL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**

3. LINE OF CREDIT

The Panel has available a \$75,750 unsecured line of credit with Valley Bank. Interest on the outstanding balance is 8.25%, due monthly. The line expired in November 2009, and management is currently negotiating an extension of the line with similar terms.

4. 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 for the years ended December 31, 2008 and 2007, respectively.

5. 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, 2008**

	<u>TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUE			
Assessment fees - physicians	\$ 875,717	\$ 867,789	\$ 7,928
Interest income	5,657	5,029	628
Miscellaneous income	<u>2,769</u>	<u>5,702</u>	<u>(2,933)</u>
	884,143	878,520	5,623
EXPENSE			
Administrative	318,852	332,029	13,177
Computer software	90,825	50,000	(40,825)
Panelist travel	77,416	90,000	12,584
Panelist hearing time	71,634	95,000	23,366
Records reproduction	53,411	70,000	16,589
Panelist prep and travel time	42,640	60,000	17,360
Panel legal counsel	42,000	50,000	8,000
Medical records and x-rays	25,602	28,000	2,398
Postage	24,815	32,500	7,685
Temporary personnel	18,785	12,500	(6,285)
Panel consultant	13,250	50,000	36,750
Meeting rooms	11,932	13,500	1,568
Office supplies	5,670	9,500	3,830
Telephone	3,459	5,000	1,541
Miscellaneous	2,959	5,000	2,041
Liability insurance	401	2,000	1,599
Annual audit	-	6,000	6,000
Legal defense	<u>-</u>	<u>10,000</u>	<u>10,000</u>
	<u>803,651</u>	<u>921,029</u>	<u>117,378</u>
Net Income (Loss)	<u>\$ 80,492</u>	<u>\$ (42,509)</u>	<u>\$ 123,001</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, 2007**

	<u>TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
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
Panel consultant	78,714	50,000	(28,714)
Panelist travel	69,675	98,500	28,825
Computer software	66,250	50,000	(16,250)
Records reproduction	65,719	65,000	(719)
Panelist prep and travel time	45,280	75,000	29,720
Panel legal counsel	42,000	50,000	8,000
Postage	30,709	30,000	(709)
Medical records and x-rays	22,913	31,000	8,087
Meeting rooms	10,462	13,500	3,038
Office supplies	9,069	9,000	(69)
Temporary personnel	8,295	20,000	11,705
Miscellaneous	5,764	7,500	1,736
Telephone	4,485	7,500	3,015
Liability insurance	500	5,000	4,500
Legal defense	<u>-</u>	<u>10,000</u>	<u>10,000</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.



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

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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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 the organization's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 November 30, 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
November 30, 2009

MONTANA MEDICAL LEGAL PANEL

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November 30, 2009

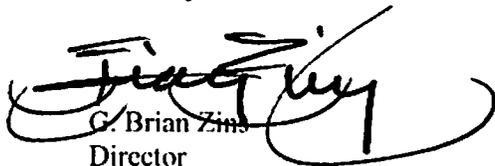
Junkermier, Clark, Campanella, Stevens, P.C.
Certified Public Accountants
P.O. Box 1164
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RE: Montana Medical Legal Panel

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