

**MONTANA CHIROPRACTIC
LEGAL PANEL**

AUDITED FINANCIAL STATEMENTS

June 30, 2010 and 2009

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor



Deputy Legislative Auditors:
Cindy Jorgenson
Angie Grove

June 2011

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, 2010.

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

10C-10



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Certified Public Accountants and Business Advisors

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, 2010 and 2009, 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, 2010 and 2009, 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 May 31, 2011, 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
May 31, 2011

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

		June 30	
		2010	2009
ASSETS			
CURRENT ASSETS			
Cash in bank		\$ 7,566	\$ 580
Total assets		<u>\$ 7,566</u>	<u>\$ 580</u>
LIABILITIES AND SURPLUS			
SURPLUS			
Surplus		\$ 7,566	\$ 580
Total liabilities and surplus		<u>\$ 7,566</u>	<u>\$ 580</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	
	2010	2009
REVENUES		
Assessment fees	\$ 18,300	\$ 7,730
Late fees	375	925
Total revenues	<u>18,675</u>	<u>8,655</u>
EXPENSES		
Audit	-	4,800
Bank service charges	86	-
Copying and printing	493	1,752
Computer and internet	71	492
Director expenses	-	990
Management fee	8,238	7,429
Hearing expenses	2,491	6,972
Postage	273	902
Rent	-	-
Supplies	37	51
Other expenses	-	44
Total expenses	<u>11,689</u>	<u>23,432</u>
INCREASE (DECREASE) IN SURPLUS	6,986	(14,777)
Surplus, beginning of year	<u>580</u>	<u>15,357</u>
SURPLUS, END OF YEAR	<u>\$ 7,566</u>	<u>\$ 580</u>

See the notes to financial statements.

MONTANA CHIROPRACTIC LEGAL PANEL
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

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 2-15-121(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.

Reporting Entity

In accordance with government accounting and financial reporting standards, there are no component units to be included with the Montana Chiropractic Legal Panel.

Assessment Fees

The Montana Chiropractic Legal Panel is funded by an annual assessment fee levied on all licensed and active 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.

Cash and Cash Equivalents:

The Montana Chiropractic Legal Panel considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Due to their highly liquid nature, carrying value approximates fair value.

Reclassifications:

Certain reclassifications have been made to the prior year amounts to conform to the current year presentation. These reclassifications had no impact on the change in surplus.

MONTANA CHIROPRACTIC LEGAL PANEL
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

2. PANEL HEARINGS

The Montana Chiropractic Legal Panel held three hearings during fiscal year ending June 30, 2009 and no hearings during fiscal year ending June 30, 2010.

3. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 31, 2011, the date on which the financial statements were available to be issued.



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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, 2010 and 2009, and have issued our report thereon dated May 31, 2011. We conducted our audits 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, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we have identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as Finding 09/10-01 and 09/10-02 to be material weaknesses.

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 May 31, 2011.

Montana Chiropractic Legal Panel's response to the findings identified in our audit is described in the accompany schedule of findings and responses. We did not audit Montana Chiropractic Legal Panel's response and, accordingly, we express no opinion on it.

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
May 31, 2011

**MONTANA CHIROPRACTIC LEGAL PANEL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010 AND 2009**

Finding 09/10-01 Failure to properly segregate authority, custody, and record keeping in the cash disbursements process

Criteria: Internal controls should be in place to provide reasonable assurance that misappropriation of assets does not occur and that cash is accounted for properly.

Condition: One person is charged with approving invoices, recording the cash disbursement in the accounting software, and signing the check.

Cause: There were not adequate internal controls in place to provide reasonable assurance that misappropriation of assets did not take place and cash is accounted for properly.

Effect: Lack of segregations of duties increases the risk that misappropriation of assets and material misstatements will occur and not be detected by the Panel's internal controls.

Recommendation: Someone separate from the person recording the cash disbursements in the accounting software should approve invoices and sign off on checks.

Client Response: The Panel cannot implement recommended procedures with the current number of individuals contracted by the Organization.

Finding 09/10-02 Failure to properly segregate authority, custody, and record keeping in the cash receipts process

Criteria: Internal controls should be in place to provide reasonable assurance that misappropriation of assets does not occur and that cash is accounted for properly.

Condition: One person is charged with receiving cash, recording the cash receipt in the accounting software, and taking deposits to the bank.

Cause: There were not adequate internal controls in place to provide reasonable assurance that misappropriation of assets did not take place and cash is accounted for properly.

Effect: Lack of segregations of duties increases the risk that misappropriation of assets and material misstatements will occur and not be detected by the Panel's internal controls.

Recommendation: Someone separate from the person recording the cash receipts in the accounting software should be receiving cash and taking to the bank.

Client Response: The Panel cannot implement recommended procedures with the current number of individuals contracted by the Organization.



MONTANA CHIROPRACTIC LEGAL PANEL

PO Box 1098
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Phone: (406) 442-2674

Director:
Mary Lou Garrett

June 9, 2011

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