



STATE OF MICHIGAN

JENNIFER M. GRANHOLM
GOVERNOR

DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH
LANSING

STANLEY "SKIP" PRUSS
DIRECTOR

February 9, 2009

Mr. Doug Ringler, Director
Office of Office of Internal Audit Services
Department of Management & Budget
Romney Building – Seventh Floor
111 S. Capitol, P.O. Box 30026
Lansing, Michigan 48909

Dear Mr. Ringler:

We are enclosing our agency response to comments made in the Office of the Auditor General's Financial Audit of the Homeowner Construction Lien Recovery Fund, Department of Energy, Labor and Economic Growth (DELEG) for the period October 1, 2005 through September 30, 2007.

If you have any questions regarding this report, please feel free to call me at 636-0287.

Sincerely,

Signature Redacted

Allen Williams, Director
Internal Audit & Monitoring Division

Enclosure

cc: SBO-Office of Internal Audit Services
Stanley F. Pruss
Rita Canady
Andrew Metcalf
Alan Schefke
Marty Gibbs
Allan Pohl
Chris Bayley

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GENERAL OFFICE BUILDING—1ST FLOOR, A-WING • P.O. BOX 30643 • LANSING, MICHIGAN 48909
www.michigan.gov • (517) 636-0229 • TTY 1-888-605-6722

AUDIT RESPONSE SUMMARY

Financial Audit of the Homeowner Construction Lien Recovery Fund Michigan Department of Energy, Labor and Economic Growth (October 1, 2005 through September 30, 2007)

I. Citations complied with:

None

II. Citations to be complied with:

#1 - Estimated date of compliance is February 1, 2010.

III. Citations agency disagrees with:

None

**Financial Audit of the Homeowner Construction Lien Recovery Fund
Agency Response**

1. Internal Control Over Legal Costs

The Homeowner Construction Lien Recovery Fund's internal control did not ensure that the Fund obtained supporting documentation for Department of Attorney General legal service costs. As a result, the Fund could not verify the accuracy of Department of Attorney General legal service billings, which amounted to \$234,590 and \$284,807 for fiscal year 2006-07 and fiscal year 2005-06, respectively. In relation to the value of the Fund, we consider the condition to be a material weakness in internal control over financial reporting.

We recommend that the Fund improve its internal control to ensure that the Fund obtains supporting documentation for Department of Attorney General legal service costs.

Agency Response: DELEG agrees with the finding and will work with the Attorney General to resolve this matter.

It should be noted that the current Memorandum of Understanding between the Department of Attorney General and the Bureau of Commercial Services (for HCLRF activities) states: "The Department of Attorney General will invoice the Fund on a quarterly basis for services rendered during the quarter." It is DELEG's opinion that the definition of an invoice is a detailed billing – one that itemizes charges by case, services provided, dates, hours of services provided, etc. The Bureau of Commercial Services has requested detailed billings as described from the Department of Attorney General, but to-date has not received them in the desired format.

The estimated date of completion is February 1, 2010.