



Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit

*Homeowner Construction Lien Recovery Fund
 Department of Labor and Economic Growth
 October 1, 2005 through September 30, 2007*

Report Number:
 641-0420-08

Released:
 November 2008

A financial audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting; and determines compliance with requirements material to the financial schedules and/or financial statements. This financial audit of the Homeowner Construction Lien Recovery Fund was conducted as part of the constitutional responsibility of the Office of the Auditor General.

Financial Statements:

Auditor's Report Issued

We issued an unqualified opinion on the Homeowner Construction Lien Recovery Fund's financial statements.

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Internal Control Over Financial Reporting

We identified one significant deficiency in internal control over financial reporting (Finding 1). We consider Finding 1 to be a material weakness.

The Fund's internal control did not ensure that the Fund obtained supporting documentation for Department of Attorney General legal service costs (Finding 1).

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**Noncompliance and Other Matters
 Material to the Financial Statements**

We did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under *Government Auditing Standards*.

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Background:

The Fund is governed by Sections 570.1101 - 570.1305 of the *Michigan Compiled Laws* (Act 497, P.A. 1980, as amended) and is administered by the Department of Labor and Economic Growth.

The Fund was established in January 1982 to protect homeowners from lien claims for residential construction and remodeling. It also protects persons providing labor, materials, or equipment for real property improvement. Only persons who have paid into the Fund are entitled to recover from it. The Fund will pay a maximum of \$100,000 per residential structure for unsatisfied liens. If the Department makes a payment from the Fund as a result of actions or inactions of a licensee, the Fund will file a complaint against the licensee. The licensee's license may be revoked until the licensee has repaid the Fund the amount paid plus the cost of litigation and interest.

The Fund is self-supporting from fees charged to licensed residential builders, various contractors, and other lien claimants.

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Agency Response:

Our audit report contains 1 finding and 1 corresponding recommendation. The Fund's preliminary response indicates that it agrees with the recommendation.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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