

**Corporations, Securities & Commercial Licensing
Bureau**

**Statistical Report on Complaints and Investigations
For Fiscal Year 2019**

(Pursuant to Section 514 of Public Act 60 of 2019)

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REPORT AUTHORITY

Section 514 of 2019 PA 60, the appropriations act for the Department of Licensing and Regulatory Affairs, making appropriations for fiscal year 2020.

Sec. 514. From the appropriations in part 1, the bureau of community and health systems; bureau of construction codes; bureau of fire services; bureau of professional licensing; corporations, securities, and commercial licensing bureau; and marijuana regulatory agency must submit reports to the subcommittees, senate and house fiscal agencies, and state budget director by December 31. The reports must include all of the following information for the prior fiscal year for each agency or bureau:

- (a) The number of complaints received, with the number of complaints specified for each profession or license type that the agency or bureau regulates.

License Type	Number of Complaint
Cemetery	108
Mortuary Science	614
Postsecondary Schools	13
Prepaid Funeral Providers	368
Professional Employer Org	1
Professional Investigator	19
Securities	744
Security Alarm	4
Security Guard	14
Transportation Company	23
Unarmed Combat Commission	154
TOTAL	2062

- (b) A description of the process used to resolve complaints.

Once a statement of complaint is received by CSCL or opened by CSCL itself, it is assigned to a Departmental Technician who works with the manager to assign the complaint to a Regulation Officer/Agent, Auditor, or a Financial Institutions Examiner for investigation, inspection, or examination/audit in either the Licensing Division or the Securities & Audit Division. That individual writes a memorandum of findings that is reviewed by a manager. If the investigation, inspection, audit, or examination reveals no violation of the laws CSCL is responsible for administering, the complaint is closed. If the investigation, inspection, audit, or examination reveals a potential criminal violation of the laws CSCL is responsible for administering, CSCL makes a referral to the

appropriate criminal law enforcement agency. If it reveals a violation of the laws CSCL is responsible for administering, a request for formal administrative action is made. A settlement between the parties may be reached at any point before a formal evidentiary hearing.

For cases brought under the Michigan Uniform Securities Act, if the manager and division director agree with a recommendation for formal action, the complaint file containing the findings and evidence collected is forwarded to an attorney within the Securities & Audit Division for review. That individual then drafts an initiating order commencing disciplinary proceedings. Unless revocation of an existing license under that Act is sought, a compliance conference is not offered nor scheduled. Instead, the respondent has the opportunity to request a formal hearing to challenge the initiating order within 30 days, or the order becomes final by operation of law. If revocation of an existing license is sought, a compliance conference is scheduled alongside the issuance of the Notice of Intent to Revoke. When a respondent requests a hearing, or a compliance conference is scheduled, the complaint file moves to the Regulatory Compliance Division and is assigned to an assistant attorney general to either conduct the compliance conference or represent CSCL at a formal hearing.

For cases not brought under the Michigan Uniform Securities Act, if the manager and division director agree with a recommendation for formal administrative action, the complaint file containing the findings and evidence collected is forwarded to the Regulatory Compliance Division for review. The Regulatory Compliance Division then drafts an initiating order or pleading commencing disciplinary proceedings. Under some of the statutes CSCL is responsible for administering, if the respondent to that proceeding is a licensee, the respondent is offered an opportunity to not only request a formal administrative hearing but to request a compliance conference to either demonstrate compliance with the law or voluntarily negotiate a settlement. If no response is received, CSCL or an assistant attorney general on its behalf requests the scheduling of a formal administrative hearing to resolve the matter. Under other statutes, in response to a Notice and Order to Cease and Desist, the respondent must request a formal hearing within a specified period of time, or the terms of the original order become final by operation of law.

CSCL assists the Michigan Unarmed Combat Commission in administering the Unarmed Combat Regulatory Act. As part of that assistance, its Regulatory Compliance Division drafts initiating orders and pleadings based on recommendations for formal action by the Licensing Division, schedules and conducts compliance conferences at the request of licensee respondents, and an attorney within that division or an assistant attorney general represents the Commission at formal administrative hearings. The Commission accepts or rejects settlement agreements and determines the appropriate licensing penalties based upon the findings of fact and conclusions of law in hearing reports issued by the Michigan Office of Administrative Hearings and Rules after formal

administrative hearings. A respondent may appeal a final licensing penalty determination to the appropriate Michigan court.

The Board of Examiners in Mortuary Science assists CSCL in administering the Occupational Code as it pertains to funeral establishments, mortuary science trainees, and funeral directors. Based on recommendations for formal action from either the Securities & Audit or Licensing divisions, the Regulatory Compliance Division drafts disciplinary initiating orders and pleadings, schedules and conducts compliance conferences at the request of licensee respondents, and an attorney within that division or an assistant attorney general represents at formal administrative hearings. The Board accepts or rejects settlement agreements and determines the appropriate licensing penalties based upon the findings of fact and conclusions of law in hearing reports issued by the Michigan Office of Administrative Hearings and Rules after formal administrative hearings. A respondent may appeal a final licensing penalty determination to the appropriate Michigan court.

For all other statutes with enforcement authority that CSCL administers (e.g., Prepaid Funeral and Cemetery Sales Act, Limousine, Taxicab, and Transportation Network Company Act, Cemetery Regulation Act, Michigan Uniform Securities Act, Professional Investigator Licensure Act, etc.), the Bureau Director, who is also the Cemetery Commissioner and Securities Administrator, conducts the final review and approval of any settlement agreement or reviews the administrative hearing record, including the findings of fact and conclusions of law contained in a proposal for decision issued by the Michigan Office of Administrative Hearings and Rules after formal administrative hearings, and may make his/her own findings of fact and conclusions of law. He or she is also responsible for making final licensing penalty determinations that a respondent may appeal to the appropriate Michigan court. Generally, an assistant attorney general represents CSCL at formal hearings conducted under these acts, although a CSCL attorney could also do so under the Cemetery Regulation Act.

Compliance with final orders imposing administrative fines, periods of suspension, and other licensing penalties or requiring proof that restitution was paid or documentation submitted is monitored by CSCL's Final Order Monitoring area within its Securities & Audit Division. Noncompliance within the time frames specified in a final order may result in the suspension or revocation of a license, nonrenewal of a license, additional disciplinary action, the imposition of a higher alternate fine, or the referral of an unpaid fine to the Department of Treasury for collection.

- (c) A description of the types of complaints received with total counts of the number of complaints of that type received.

CSCL does not have a system to track the types of complaints received or initiated by CSCL. However, the following is a list of common violations discovered through CSCL's complaint process:

- Sale of unregistered security

- Omission of material information
- Unregistered broker dealer activity
- Unregistered agent activity
- Unregistered investment adviser activity
- Unregistered investment adviser representative activity
- Insolvency
- Dishonest/ Unethical securities business practices
- Failure to escrow money associated with a prepaid contract
- Failure to escrow money associated with a prepaid contract within 30 days
- Fraud, deceit, or dishonesty
- Incompetence in the practice of Mortuary Science
- Violation of other statutes in the practice of Mortuary Science
- Unlicensed Activity
- Unsanitary Conditions
- Advertising violations
- Failure to maintain surety bond
- Failure to maintain insurance
- Failure to maintain records
- Failure to submit an annual report
- Substance Abuse/ Drug Violations

(d) The number of investigations initiated, and the number of investigations closed.

Number of Investigations Initiated	Number of Investigations Closed
2040	1680

(e) The number and type of enforcement actions taken against licensees and metrics regarding any adverse actions taken against licensees including license revocations, suspensions, and fines.

Action Taken	Number of Actions Taken
Application Withdrawal	1
Cease and Desist	41
Censures	1
Conditional Registration	4
Final Orders	155
Fines Issued	\$1,269,719.05
Heightened Supervision	1
Notice of Intent to Revoke	11
Notice of Intent to Suspend	0
Suspensions	29
Registration Denials	1
Registration Withdrawal	2

Revocations	12
Probation	1