



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION



LM089393

OCT 31 1975

The Honorable Rex D. Davis
Director, Bureau of Alcohol, Tobacco
and Firearms

Dear Mr. Davis:

We have made a survey of the Bureau of Alcohol, Tobacco and
Firearms' (ATF) practices and procedures for implementing Title I
of the Gun Control Act of 1968 (GCA).

We examined ATF's present and past activities and the problems faced in enforcing the federal firearms
laws and regulations. We made our survey primarily at its Washington,
D.C., headquarters and the ATF North-Atlantic Regional Office in
New York.

On March 13, 1975, we met with you and your staff and discussed
the results of our survey. At that time we were concerned that ATF
had not adequately studied the gun control problem and developed a
sound strategy for implementing the GCA.

While you agreed that our observations may have been valid when
the program was originally implemented, you expressed a concern that
we had not adequately considered the problems that ATF was faced with
when the GCA was enacted nor had we adequately considered the recent
actions taken by ATF. Subsequent to the March 13 meeting, you furnished
additional information for our consideration.

We have given careful consideration to your comments and while we
still have some reservations about ATF's strategy for implementing the
GCA, we recognize that our observations are based on a limited survey
at one region. In view of the more recent action taken by ATF which
you believe corrected the basic problems noted in our survey, we do not
plan at this time to make an in-depth review of the gun control program
or to formally report on this matter.

We are, however, providing you with our observations on one
aspect of the management of the gun control program which we believe
needs further consideration. In summary, we believe that the Bureau
should establish a more systematic approach to implementing its pro-
gram for inspecting firearms licensees. Detail of our observations
follows.

089393/909335

REGULATORY COMPLIANCE MONITORING SYSTEM
NEEDS A MORE SYSTEMATIC APPROACH

The objective of the regulatory compliance monitoring system is to insure that licensees maintain complete and accurate records pertaining to (1) the receipt and disposition of firearms, (2) lawfulness of sales, (3) continued qualification to conduct business, and (4) adherence to firearms laws applicable to the business conducted. During a compliance inspection, the inspector will check selected firearms transactions and review records for compliance and accuracy. In addition, he will verify the physical inventory and the authenticity and eligibility of purchasers.

The number of compliance inspections made by ATF has been limited--significantly less than its established goals. ATF officials believe that some licensees do not require the same degree of oversight as others. To maximize the effectiveness of its limited resources, the agency should, but did not, develop guidelines to assist its field people in giving priority in scheduling inspections to those licensees that are more likely to violate the requirements of the act or regulations. Such guidelines should establish the frequency of compliance inspections of the licensees and permit the Bureau to concentrate on those licensees that are most in need of inspection.

Currently, the selection of licensees for review is primarily left to the judgment of the Regional Directors. North Atlantic Region officials told us that a compliance program as such was not being implemented by the region. According to these officials, most compliance investigations have been conducted incidental to other ATF activities such as criminal investigations and not on a scheduled basis.

A systematic approach to compliance inspections would require ATF to develop criteria for selecting licensees for review and to develop a data base of its licensees against which this criteria would be applied in making the actual selections. To develop a selection criteria ATF needs to identify which types of licensees are more susceptible to non-compliance with the law or regulations and thus require more frequent inspection by ATF.

A first step in developing such criteria would be to analyze the results of prior compliance reviews. Since 1970, ATF has made over 100,000 such reviews. ATF, however, has not made any analysis of these reviews to assess the extent to which licensees are complying with Federal firearms laws and regulations. If analyzed, these reviews should provide some insight into the extent to which certain types of licensees are or are not complying with gun laws and regulations.

Another step that could be taken to assist in developing inspection criteria would be to obtain better data on how and where criminals obtain guns. The Bureau's principal research effort to determine how

and where criminals were acquiring handguns and what could be done to prevent that acquisition began in June 1973, under a project entitled Project Identification or commonly referred to as Project I. The project was divided into two phases. During the first phase guns seized at the scene of the crime were to be traced from the manufacturer or importer to the last known licensed dealer. During the second phase the guns were to be traced from the licensed dealer to the scene of the crime.

The first phase was to be accomplished by selecting several major cities and asking the police department in each city to provide ATF with a list of all handguns seized in connection with crimes during a given period. The police departments were to provide the name of the manufacturer and the serial number or description of each gun. By telephone, ATF gun tracers contacted manufacturers and importers to identify who purchased the weapon. The trace was then pursued through a series of telephone calls through distributors, wholesalers, and retailers, until the licensed dealer that had sold the gun to a private citizen had been identified.

A number of firearms in this project were untraceable for a number of reasons: too old, no serial number, insufficient records by the manufacturer, military origin or other similar factors which precluded successful tracing. Each successful trace was classified as to make of gun, quality, type, caliber, barrel length, age, whether or not stolen, and State of last retail source. At the time of our survey 10 cities have been targeted for study during the first phase of the project. By June 1, 1975, the study had been completed in 8 cities.

ATF's analysis of study results for the 8 cities provides information on the type of guns used, whether the guns were stolen before entering the legitimate market through licensed dealers, and the type of businesses maintained by the last licensed dealers. While this type of data is helpful to the Bureau in managing its firearms program, it provides little insight into the actual acquisition of firearms by the criminals unless the criminals acquired firearms from licensed dealers.

The second phase was to be accomplished through a series of personal contacts by ATF investigators starting with the private citizen who purchased the gun from the last known retail outlet and tracing the gun to the scene of the crime. We have been advised by an ATF headquarters official in June 1975 that little progress had been made in implementing the second phase of Project I and that the Bureau has no firm plans for completing the project. Some first phase cases were traced through the second phase but only as part of ATF's ongoing assistance to State and local law enforcement officials.

ATF did trace a small number of guns submitted under the first phase in those cases having a high Federal enforcement interest, but most guns

which were traced from retail outlet to the crime were traced by State and local officials. None of these traces were a part of or a sample of cases which could be construed as second phase work.

If the Bureau had better data on how and where criminals obtain guns it could make a much more judicious determination on

- where regulatory enforcement inspectors are needed most,
- how in-depth regulatory inspections need to be to assure the Bureau that violations of the Federal firearms laws have not occurred,
- how often licensees should be inspected or need to be inspected to assure compliance, and
- if certain type of licensee is more susceptible to accidentally or purposely diverting firearms to criminal use, if so, what precautioning measure the Bureau could suggest or require the licensee to take. For example, better security may be needed if there is a major source of guns or stricter identification may be needed if criminals are purchasing guns themselves.

Need for selectivity criteria
was previously recognized

A 1971 internal audit report prepared by the Internal Revenue Service (IRS) identified the need for establishing a selection criteria for compliance investigation. The report stated in part:

"There are no uniform requirements for selecting dealers for a compliance review.--Present procedures do not provide a means to determine volume or type of dealer transactions by which an informed selection can be made."

The report suggested developing a grading system for licensees to determine compliance investigation frequency. The grading system, based essentially on a risk factor, would include the following factors:

- volume and type of guns sold;
- location (ghetto vs. hunting area);
- type of management (responsibility factor);
- type of customers (business, law enforcement, etc.); and
- management attitude (cooperativeness).

The Director of ATF, acting upon the IRS recommendation, issued a memorandum in June 1972, which would have established a dealer classification system. Although the program outlined by the Director did not fully incorporate the IRS recommendations, it did attempt to classify dealers generally according to sales volume, with provision for higher volume dealers to be inspected more frequently. The Director recognized two immediate obstacles to the implementation of the program:

- inadequate staffing to meet program needs; and
- geographic dispersion of inspectors' posts of duty not being compatible with dealer location.

Their obstacles were never overcome and the program has not been implemented.

Limited coverage of the firearms industry through compliance inspections

ATF's goal is to inspect each licensee once every three years. This goal was not based on a thorough study of the firearms industry, but rather on the agency's experience in the regulation of alcohol and tobacco products.

The number of compliance inspections performed has been significantly less than ATF's goal. To meet its goal ATF should annually inspect about one-third of its licensees. ATF, however, only inspected from 1 to 4 percent of its licensees annually during the period from 1972 through 1974. According to ATF officials, the agency has not been able to meet its goal of inspecting licensees because of limited manpower.

The number of compliance inspections performed in 1974 was 5,500 less than in 1970, GCA's first full year of implementation. This 25 percent decrease in the number of inspections occurred while the number of licensees increased by about 18,000.

COMPLIANCE INSPECTIONS FROM 1970-1974

| <u>Fiscal Year</u> | <u>Number of compliance inspections</u> | <u>Number of licensees</u> | <u>Percentage of licensees inspected</u> |
|--------------------|---|----------------------------|--|
| 1970 | 21,297 | 138,865 | 15.3 |
| 1971 | 23,684 | 144,548 | 16.4 |
| 1972 | 31,164 | 147,026 | 21.2 |
| 1973 | 16,003 | 148,600 | 10.8 |
| 1974 | 15,751 | 156,443 | 10.1 |

Conclusions

ATF has not determined, based on empirical data, the extent to which its licensees need inspection. The number of ATF's compliance inspections is limited and may not be adequate to insure that licensees are complying with Federal firearms laws and regulations. However, without some standards or criteria it is difficult to evaluate the effectiveness of the compliance program.

There is no planned or systematic approach to implementing the compliance program and therefore there is no assurance that the agency's resources are utilized most effectively.

Recommendations to the Director of ATF

We recommend that ATF establish a systematic approach to implementing its compliance program by:

- Developing the information necessary to assess the extent to which various types of Federal firearms licensees need compliance inspections,
- Developing criteria for selecting licensees for compliance inspection which give priority in scheduling to those licensees that are more likely to violate the Federal firearms laws and regulations.

- - - -

We appreciate the cooperation given to our representatives during this survey. We would appreciate being advised of any actions planned or taken with respect to the matters discussed in this report.

Sincerely yours,

Assistant Director
General Government Division



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

089393

GENERAL GOVERNMENT
DIVISION

OCT 31 1975

The Honorable Rex D. Davis
Director, Bureau of Alcohol, Tobacco
and Firearms

Dear Mr. Davis:

We have made a survey of the Bureau of Alcohol, Tobacco and Firearms' (ATF) practices and procedures for implementing Title I of the Gun Control Act of 1968 (GCA).

We examined ATF's criminal enforcement and regulatory enforcement activities and the problems faced in enforcing the Federal firearms laws and regulations. We made our survey primarily at the Washington, D.C., headquarters and the ATF North-Atlantic Regional Office in New York.

On March 13, 1975, we met with you and your staff and discussed the results of our survey. At that time we were concerned that ATF had not adequately studied the gun control problem and developed a sound strategy for implementing the GCA.

While you agreed that our observation may have been valid when the program was originally implemented, you expressed a concern that we had not adequately considered the problems that ATF was faced with when the GCA was enacted nor had we adequately considered more recent actions taken by ATF. Subsequent to the March 13 meeting, you furnished additional information for our consideration.

We have given careful consideration to your comments and while we still have some reservations about ATF's strategy for implementing the GCA, we recognize that our observations are based on a limited survey at one region. In view of the more recent actions taken by ATF which you believe corrected the basic problems noted in our survey, we do not plan at this time to make an in-depth review of the gun control program or to formally report on this matter.

We are, however, providing you with our observations on one aspect of the management of the gun control program which we believe needs further consideration. In summary, we believe that the Bureau should establish a more systematic approach to implementing its program for inspecting firearms licensees. Details of our observations follows.

089393/909335

REGULATORY COMPLIANCE MONITORING SYSTEM
NEEDS A MORE SYSTEMATIC APPROACH

The objective of the regulatory compliance monitoring system is to insure that licensees maintain complete and accurate records pertaining to (1) the receipt and disposition of firearms, (2) lawfulness of sales, (3) continued qualification to conduct business, and (4) adherence to firearms laws applicable to the business conducted. During a compliance inspection, the inspector will check selected firearms transactions and review records for compliance and accuracy. In addition, he will verify the physical inventory and the authenticity and eligibility of purchasers.

The number of compliance inspections made by ATF has been limited-- significantly less than its established goals. ATF officials believe that some licensees do not require the same degree of oversight as others. To maximize the effectiveness of its limited resources, the agency should, but did not, develop guidelines to assist its field people in giving priority in scheduling inspections to those licensees that are more likely to violate the requirements of the act or regulations. Such guidelines should establish the frequency of compliance inspections of the licensees and permit the Bureau to concentrate on those licensees that are most in need of inspection.

Currently, the selection of licensees for review is primarily left to the judgment of the Regional Directors. North Atlantic Region officials told us that a compliance program as such was not being implemented by the region. According to these officials, most compliance investigations have been conducted incidental to other ATF activities such as criminal investigations and not on a scheduled basis.

A systematic approach to compliance inspections would require ATF to develop criteria for selecting licensees for review and to develop a data base of its licensees against which this criteria would be applied in making the actual selections. To develop a selection criteria ATF needs to identify which types of licensees are more susceptible to non-compliance with the law or regulations and thus require more frequent inspection by ATF.

A first step in developing such criteria would be to analyze the results of prior compliance reviews. Since 1970, ATF has made over 100,000 such reviews. ATF, however, has not made any analysis of these reviews to assess the extent to which licensees are complying with Federal firearms laws and regulations. If analyzed, these reviews should provide some insight into the extent to which certain types of licensees are or are not complying with gun laws and regulations.

Another step that could be taken to assist in developing inspection criteria would be to obtain better data on how and where criminals obtain guns. The Bureau's principal research effort to determine how

and where criminals were acquiring handguns and what could be done to prevent that acquisition began in June 1973, under a project entitled Project Identification or commonly referred to as Project I. The project was divided into two phases. During the first phase guns seized at the scene of the crime were to be traced from the manufacturer or importer to the last known licensed dealer. During the second phase the guns were to be traced from the licensed dealer to the scene of the crime.

The first phase was to be accomplished by selecting several major cities and asking the police department in each city to provide ATF with a list of all handguns seized in connection with crimes during a given period. The police departments were to provide the name of the manufacturer and the serial number or description of each gun. By telephone, ATF gun tracers contacted manufacturers and importers to identify who purchased the weapon. The trace was then pursued through a series of telephone calls through distributors, wholesalers, and retailers, until the licensed dealer that had sold the gun to a private citizen had been identified.

A number of firearms in this project were untraceable for any number of reasons: too old, no serial number, insufficient records by the manufacturer, military origin or other similar factors which precluded successful tracing. Each successful trace was classified as to make of gun, quality, type, caliber, barrel length, age, whether or not stolen, and State of last retail source. At the time of our survey 16 cities have been targeted for study during the first phase of the project. By June 1, 1975, the study had been completed in 8 cities.

ATF's analysis of study results for the 8 cities provides information on the type of guns used, whether the guns were stolen before entering the legitimate market through licensed dealers, and the type of businesses maintained by the last licensed dealers. While this type of data is helpful to the Bureau in managing its firearms program, it provides little insight into the actual acquisition of firearms by the criminals unless the criminals acquired firearms from licensed dealers.

The second phase was to be accomplished through a series of personal contacts by ATF investigators starting with the private citizen who purchased the gun from the last known retail outlet and tracing the gun to the scene of the crime. We have been advised by an ATF headquarters official in June 1975 that little progress had been made in implementing the second phase of Project I and that the Bureau has no firm plans for completing the project. Some first phase cases were traced through the second phase but only as part of ATF's ongoing assistance to State and local law enforcement officials.

ATF did trace a small number of guns submitted under the first phase in those cases having a high Federal enforcement interest, but most guns

which were traced from retail outlet to the crime were traced by State and local officials. None of these traces were a part of or a sample of cases which could be construed as second phase work.

If the Bureau had better data on how and where criminals obtain guns it could make a much more judicious determination on

- where regulatory enforcement inspectors are needed most,
- how in-depth regulatory inspections need to be to assure the Bureau that violations of the Federal firearms laws have not occurred,
- how often licensees should be inspected or need to be inspected to assure compliance, and
- if certain type of licensee is more susceptible to accidentally or purposely diverting firearms to criminals and, if so, what precautioning measure the Bureau could suggest or require the licensee to take. For example, better security may be needed if theft is a major source of guns or stricter identification may be needed if criminals are purchasing guns themselves.

Need for selectivity criteria
was previously recognized

A 1971 internal audit report prepared by the Internal Revenue Service (IRS) identified the need for establishing a selection criteria for compliance investigation. The report stated in part:

"There are no uniform requirements for selecting dealers for a compliance review--Present procedures do not provide a means to determine volume or type of dealer transactions by which an informed selection can be made."

The report suggested developing a grading system for licensees to determine compliance investigation frequency. The grading system, based essentially on a risk factor, would include the following factors:

- volume and type of guns sold;
- location (ghetto vs. hunting area);
- type of management (responsibility factor);
- type of customers (business, law enforcement, etc.); and
- management attitude (cooperativeness).

The Director of ATF, acting upon the IRS recommendation, issued a memorandum in June 1972, which would have established a dealer classification system. Although the program outlined by the Director did not fully incorporate the IRS recommendations, it did attempt to classify dealers generally according to sales volume, with provision for higher volume dealers to be inspected more frequently. The Director recognized two immediate obstacles to the implementation of the program:

- inadequate staffing to meet program needs; and
- geographic dispersion of inspectors' posts of duty not being compatible with dealer location.

Their obstacles were never overcome and the program has yet to be implemented.

Limited coverage of the firearms industry through compliance inspections

ATF's goal is to inspect each licensee once every three years. This goal was not based on a thorough study of the firearms industry, but rather on the agency's experience in the regulation of alcohol and tobacco products.

The number of compliance inspections performed has been significantly less than ATF's goal. To meet its goal ATF should annually inspect about one-third of its licensees. ATF, however, only inspected from 10 to 21 percent of its licensees annually during the period from 1970 through 1974. According to ATF officials, the agency has not been able to meet its goal of inspecting licensees because of limited manpower.

The number of compliance inspections performed in 1974 was 5,500 less than in 1970, GCA's first full year of implementation. This 26% decrease in the number of inspections occurred while the number of licensees increased by about 18,000.

COMPLIANCE INSPECTIONS FY 1970-1974

| <u>Fiscal Year</u> | <u>Number of compliance inspections</u> | <u>Number of licensees</u> | <u>Percentage of licensees inspected</u> |
|--------------------|---|----------------------------|--|
| 1970 | 21,297 | 138,865 | 15.3 |
| 1971 | 23,684 | 144,548 | 16.4 |
| 1972 | 31,164 | 147,026 | 21.2 |
| 1973 | 16,003 | 148,600 | 10.8 |
| 1974 | 15,751 | 156,443 | 10.1 |

Conclusions

ATF has not determined, based on empirical data, the extent to which its licensees need inspection. The number of ATF's compliance inspections is limited and may not be adequate to insure that licensees are complying with Federal firearms laws and regulations. However, without sound standards or criteria it is difficult to evaluate the effectiveness of the compliance program.

There is no planned or systematic approach to implementing the compliance program and therefore there is no assurance that the agency's resources are utilized most effectively.

Recommendations to the Director of ATF

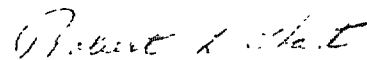
We recommend that ATF establish a systematic approach to implementing its compliance program by:

- Developing the information necessary to assess the extent to which various types of Federal firearms licensees need compliance inspections,
- Developing criteria for selecting licensees for compliance inspection which give priority in scheduling to those licensees that are more likely to violate the Federal firearms laws and regulations.

- - - -

We appreciate the cooperation given to our representatives during this survey. We would appreciate being advised of any actions planned or taken with respect to the matters discussed in this report.

Sincerely yours,



Assistant Director
General Government Division