

PART X:

Industry Regulation

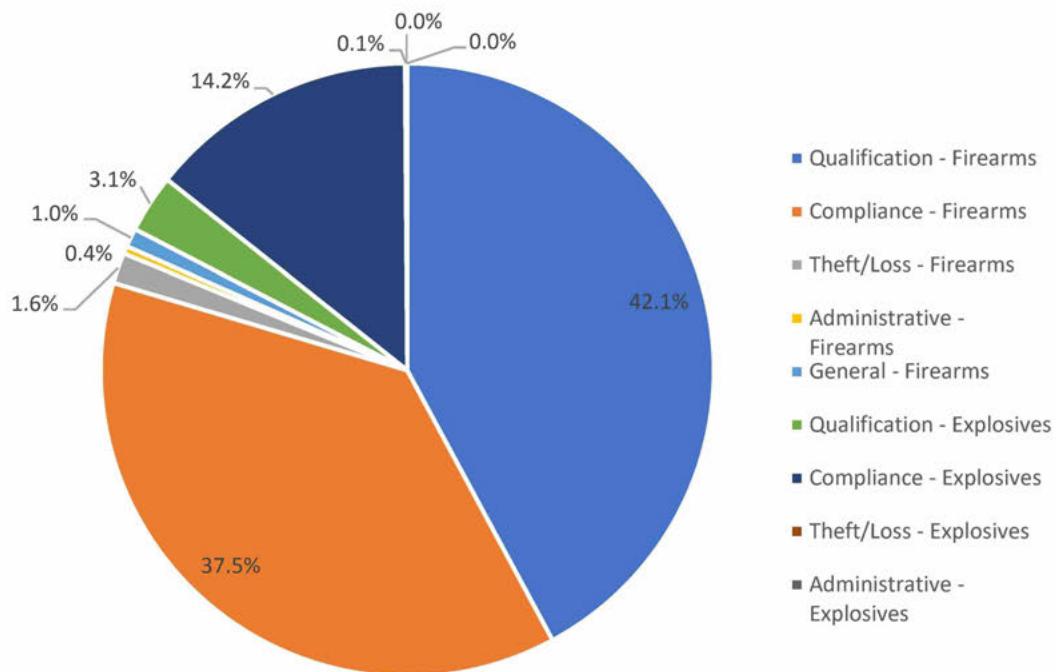
Overview

ATF is responsible for administering and enforcing both the regulatory and criminal provisions of the GCA. The GCA's integration of regulatory oversight and criminal enforcement is designed to prevent the diversion of firearms from lawful commerce to criminal use, and ATF has structured its regulatory and criminal enforcement programs to accomplish this objective. The GCA's core regulatory mechanism is a licensing requirement for all persons or entities who intend to engage in the business of manufacturing, importing, or dealing in firearms.⁸³ ATF primarily administers the GCA's licensing requirements through its cadre of industry operations investigators (IOIs). IOIs conduct qualification inspections on applicants for federal firearms licenses (FFLs), compliance inspections on FFLs, and outreach and education to the FFL community to promote full compliance with the GCA and regulations. During FFL compliance inspections, IOIs review records that the GCA requires licensees to maintain, conduct complete inventories of firearms on the business premises, and reconcile inventory with the licensees' records. As part of this process, IOIs are watchful for evidence of criminal diversion of firearms from FFL inventory through theft, straw purchasing and related trafficking schemes, or other criminal conduct. When IOIs encounter indications or direct evidence of criminal diversion, they refer those matters to ATF special agents for further investigation.

Although firearm industry regulation is a primary function of ATF IOIs, it is not their sole responsibility. ATF also administers the [Safe Explosives Act](#) (SEA) which requires persons and entities that use, manufacturer, import, or deal in explosives to obtain a federal license or permit, and mandates that licensees comply with the Act's safe storage requirements. As with the regulation of the firearm industry, ATF relies on IOIs as the primary means of administering the SEA. IOIs conduct qualification and compliance inspections on federal explosive licensees and permittees (FEL/P) and engage in explosive industry outreach and education to promote compliance and prevent criminal diversion.

As reflected in Figure IR-01, between 2016 and 2020 slightly more than 42% of all IOI activities consisted of firearm qualification inspections, 38% were dedicated to firearms compliance inspections, 14% were spent on explosive compliance inspections and just 3% of time were used on explosive qualification inspections. As of October 1, 2021, ATF's IOI cadre consisted of 774 IOIs, of which 646 are responsible for conducting firearm and explosives regulatory inspections.

Figure IR-01: Total IOI Activities by Assignment Type, 2016 – 2020



See Table IR-01 in Appendix IR – Industry Regulation for a detailed listing of all IOI activities by year and assignment type between 2016 and 2020.

Explosives Related Regulatory Activities

ATF's administration and enforcement of the SEA and federal explosives regulations ([Title 27 CFR Chapter II, Part 555](#)) is focused on preventing terrorism and reducing violent crime involving the criminal misuse of explosives.

As noted, ATF IOIs are responsible for conducting qualification and compliance inspections of FEL/P. ATF is required to inspect every FEL/P once every three years. On average, from 2016 to 2020, there were approximately 9,600 active FEL/Ps annually. As part of the inspection process, IOIs verify the safe storage of all explosive material and the required recordkeeping to ensure traceability of explosives and to prevent the criminal misuse of explosive material.

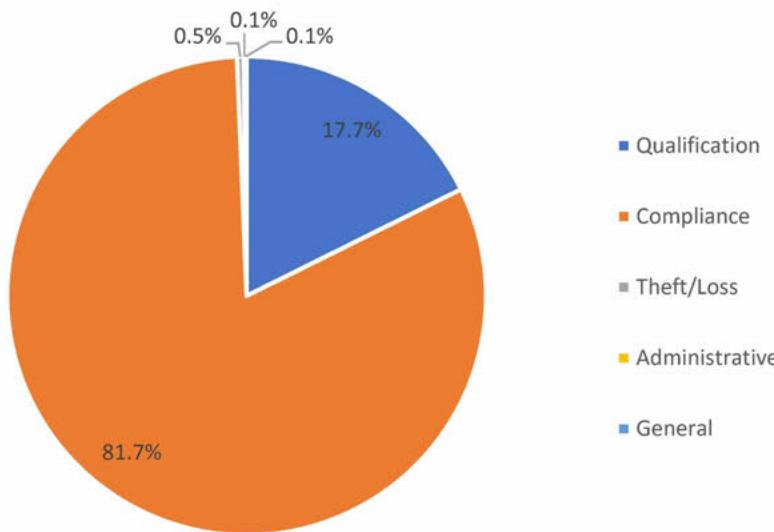
Between 2016 and 2020, ATF IOIs conducted 3,793 qualification inspections and 18,385 compliance inspections of FEL/Ps. As reflected in Table IR-01a and Figure IR-02, aside from the reduction in inspections in 2020 (due to COVID-19), the number of FEL/P inspections remained consistent over the past five years.

Table IR-01a: Total Explosive-Related IOI Activities by Assignment Type, 2016-2020

Assignment Type	2016	% Annual Total	2017	% Annual Total	2018	% Annual Total	2019	% Annual Total	2020	% Annual Total	Total (2016-2020)	% 2016-2020 Total
Qualification	858	17.9%	888	18.1%	757	14.2%	770	17.2%	700	23.5%	3,973	17.7%
Compliance	3,888	81.3%	3,990	81.2%	4,551	85.3%	3,690	82.3%	2,266	76.0%	18,385	81.7%
Theft/Loss	18	0.4%	24	0.5%	21	0.4%	22	0.5%	17	0.6%	102	0.5%
Administrative	6	0.1%	7	0.1%	4	0.1%	1	0.0%	0	0.0%	18	0.1%
General	13	0.3%	7	0.1%	5	0.1%	0	0.0%	0	0.0%	25	0.1%
Total	4,783	100.0%	4,916	100.0%	5,338	100.0%	4,483	100.0%	2,983	100.0%	22,503	100.0%

See Table IR-01 in Appendix IR – Industry Regulation for a detailed listing of completed FEL/P inspections by year and assignment type between 2016 and 2020.

Figure IR-02: Total Explosive-Related Activities by Assignment Type, 2016 – 2020



Much like ATF's outreach efforts with the firearms industry, ATF also strives to work and consult with the explosives industry and its associations. ATF communicates with the industry to identify areas of weakness and vulnerability in explosives security and to ensure public safety. ATF works with FEL/Ps, other regulatory agencies, and the public via conferences, seminars, meetings, phone, email, and written correspondence.

Firearms Related Regulatory Activities

As noted, IOIs are the primary means by which ATF administers and enforces the regulatory provisions of the federal firearm laws. In addition to enforcing federal regulations pertaining to FFLs, the compliance inspections conducted by IOIs focus on assisting law enforcement in the identification and prevention of criminal activities involving firearms. These inspections also help improve the likelihood that crime gun traces will be successful, as IOIs prioritize educating licensees on best practices for the recordkeeping that is essential to completing those traces. IOIs also assist special agents in conducting

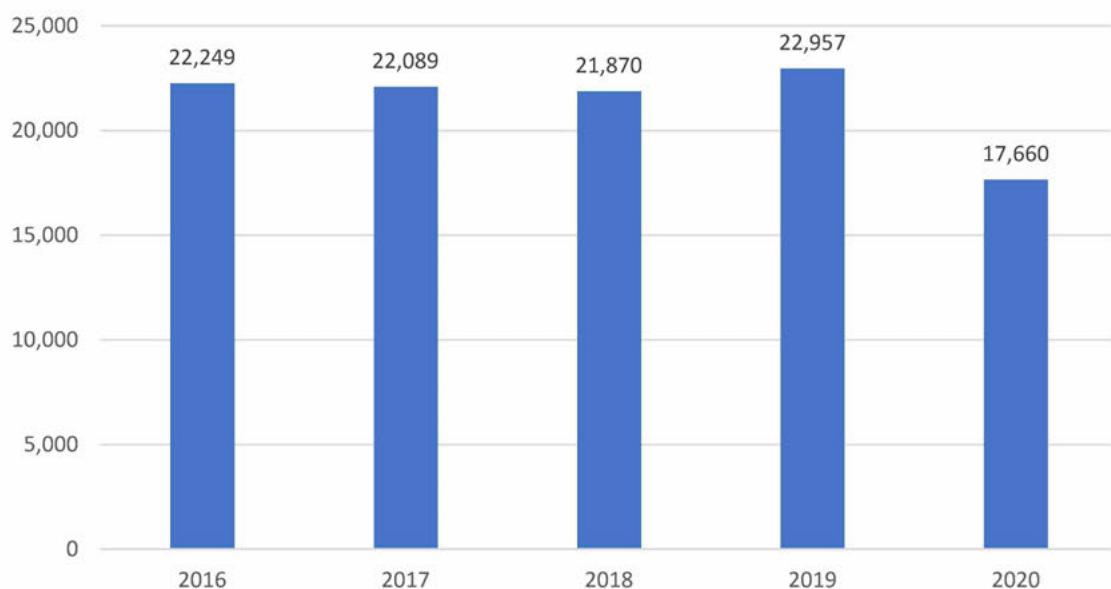
FFL theft investigations by conducting a complete review of the licensee's inventory and ensuring proper reporting of the stolen firearms.

IOIs are also essential to building collaborative partnerships with the firearms industry members and the public. First, IOIs conduct informational outreach seminars to help dealers, manufacturers and importers learn about their legal responsibilities. Second, IOIs conduct training sessions for industry members, trade groups, and the public to keep them informed about regulatory requirements. Additionally, IOIs participate in events such as gun shows to interact with FFLs who otherwise may not be seeing ATF's other educational efforts and answer questions unique to that FFL's situation. This type of outreach also allows IOIs the opportunity to answer firearms-related questions for the public.

Completed Firearm Assignments by Calendar Year

ATF IOIs completed 106,825 FFL inspections between 2016 and 2020. Apart from the COVID-19 pandemic year of 2020, IOIs completed more than 21,000 inspections per year during this period (Figure IR-03). The number of completed inspections dropped by 23% from 22,957 in 2019 to 17,660 in 2020.

Figure IR-03: Total Completed Firearm Assignments by Year, 2016 – 2020



See Table IR-01 in Appendix IR – Industry Regulation for a detailed listing of completed firearm assignments by year and assignment type between 2016 and 2020.

Completed Firearm Assignments by Assignment Type

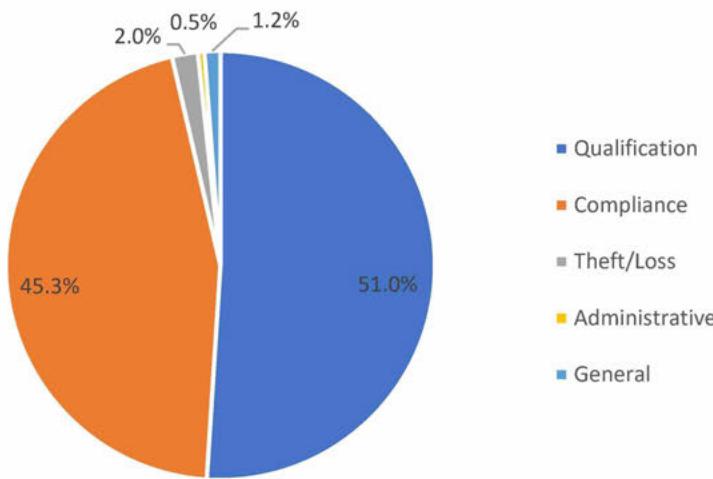
Most inspections completed during this time were either qualification inspections (51%, 54,497 of 106,825) involving new applications for an FFL or compliance inspections (46%, 48,444 of 106,825) involving the regulatory review of an active firearms license holder (See Table IR-01b and Figure IR-04).

Table IR-01b, Total Firearm-Related IOI Activities by Assignment Type, 2016-2020

Assignment Type	2016	% Annual Total	2017	% Annual Total	2018	% Annual Total	2019	% Annual Total	2020	% Annual Total	Total (2016-2020)	% 2016-2020 Total
Qualification	11,772	52.9%	10,675	48.3%	10,276	47.0%	9,738	42.4%	12,036	68.2%	54,497	51.0%
Compliance	9,574	43.0%	10,431	47.2%	10,612	48.5%	12,789	55.7%	5,039	28.5%	48,445	45.3%
Theft/Loss	306	1.4%	395	1.8%	432	2.0%	371	1.6%	585	3.3%	2,089	2.0%
Administrative	170	0.8%	184	0.8%	150	0.7%	15	0.1%	0	0.0%	519	0.5%
General	427	1.9%	404	1.8%	400	1.8%	44	0.2%	0	0.0%	1,275	1.2%
Total	22,249	100.0%	22,089	100.0%	21,870	100.0%	22,957	100.0%	17,660	100.0%	106,825	100.0%

See Table IR-01 in Appendix IR – Industry Regulation for a detailed listing of completed firearm assignments by year and assignment type between 2016 and 2020.

Figure IR-04: Firearm-Related Activities by Assignment Type, 2016 – 2020



Total Completed Firearm Assignments by State/Territory

Table IR-02a presents the ten states with the largest number of completed firearm assignments between 2016 and 2020. During this time, these ten states accounted for approximately 53% of the total completed firearm assignments by ATF IOIs (55,636 of 106,064). The states with the highest number of completed firearm assignments also had the highest average numbers of active FFLs between 2016 and 2020.⁸⁴

Table IR-02a: Top Ten States/Territories for Total Completed Firearm Assignments, 2016 – 2020 (Excludes Type 03 FFLs)

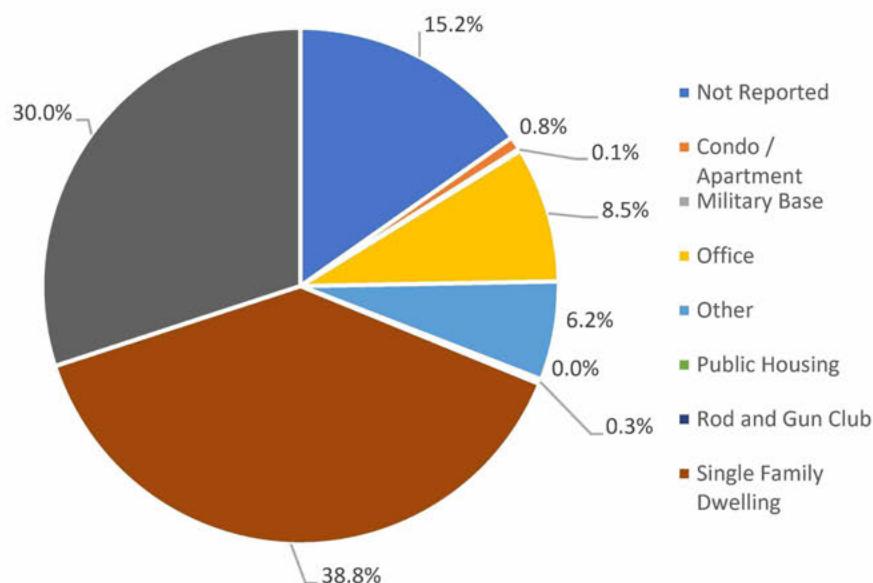
State or Territory	# of Assignments	% Total Assignments	Average # of FFLs
Texas	15,236	14.4%	8,934
Florida	6,619	6.2%	4,599
Ohio	5,860	5.5%	3,320
Missouri	5,262	5.0%	2,972
North Carolina	4,556	4.3%	3,301
California	4,548	4.3%	3,307
Arizona	3,734	3.5%	2,655
Pennsylvania	3,470	3.3%	3,369
Georgia	3,332	3.1%	2,663
Virginia	3,019	2.8%	2,316
Top Ten Total	55,636	52.5%	
All States Total	106,064	100.0%	

See Table IR-02 in Appendix IR – Industry Regulation for the total number of completed firearm assignments by all 50 States and U.S. Territories, 2016 – 2020 (excluding Type 03).

Total Completed Firearm Assignments by Premises Type

IOIs inspected FFLs at a wide variety of reported business premises (Figure IR-05). Of the 106,825 completed inspections between 2016 and 2020, single family dwellings (39%) and store front businesses (30%) were the most frequently inspected business premises.

Figure IR-05: Total Completed Firearm Assignments by Reported Business Premises, 2016 – 2020



See Table IR-03 in Appendix IR – Industry Regulation for the total number of completed firearm assignments by reported business premises, 2016 – 2020.

Firearm Compliance Inspections

With certain exceptions, the GCA allows ATF to conduct one annual compliance inspection of an FFL. The purpose of the inspection program is to educate the licensee about regulatory responsibilities and to evaluate the level of compliance. Compliance inspections also serve to protect the public by promoting voluntary internal controls to prevent and detect the diversion of firearms from lawful commerce to the illegal market.

ATF's collaborative and intelligence-driven approach to accomplishing its law enforcement and regulatory mission is known as Frontline. Importantly, Frontline relies on ATF's highly valued partnerships with state and local law enforcement agencies to be effective in fighting violent crime. Under this collaborative approach, ATF's Frontline business model ensures its limited resources are focused on the most violent offenders in a community, where the strong penalties associated with federal violations represent the most appropriate sanctions. To ensure ATF's resources are aligned to produce maximum impact, Frontline requires ATF field divisions to conduct annual domain assessments to identify the law enforcement and regulatory priorities specific to their respective areas of responsibility. These domain assessments are integrated with robust data analysis that incorporates all forms of Crime Gun Intelligence, including firearm trace information, National Integrated Ballistic Information Network (NIBIN) data, theft-loss data, and criminal possessor information. This ensures that ATF focuses its annual compliance inspections on FFLs most at risk for non-compliance.

In 2015, ATF created the Major Inspection Team (MIT) to support and assist field divisions with large-scale, complex firearms and explosives inspections involving large inventories and/or sites.

IOIs also review the required records kept by FFLs to identify individuals potentially associated with illegal firearm trafficking or involved in other criminal activity. During an inspection, the IOI will conduct the following activities (not necessarily in this order):

- Review business operations, including ownership and responsible person information
- Evaluate the licensee's internal controls and security measures
- Verify that licensee is compliant with state and local laws
- Conduct a complete physical inventory of firearms
- Review the A&D record, also known as the bound book
- Review all ATF forms, including Forms 4473
- Suggest voluntary actions or steps the licensee can take to improve compliance

As stated previously, ATF requires a 100 percent inventory verification in all FFL compliance inspections. This requires each firearm to be physically identified by serial number and matched to its corresponding A&D entry. IOIs must also account for each open entry in the A&D book. The importance of conducting regular inventories and maintaining accurate records is stressed to FFLs during their inspections and noted in multiple publicly available ATF publications.

If the IOI finds any violation or discrepancy, the FFL will be advised of those findings. At the end of the inspection, the IOI will sit down with the licensee to go over the final report of violations, if any. The IOI will document the licensee's response to the violations, including any corrective actions the licensee has taken. Later, the licensee will receive a physical or digital copy of the signed report of violations.

Additionally, the IOI will review the federal firearms regulations with the licensee, who will have an opportunity to ask questions.

Completed FFL Compliance Inspections by Year

ATF IOIs completed 48,445 compliance inspections between 2016 and 2020. The number of completed compliance inspections increased by almost 34% from 9,574 in 2016 to 12,789 in 2019 (Figure IR-06). This was followed by a sharp 61% drop to 5,039 inspections due to the COVID-19 pandemic in 2020. In response to COVID-19, ATF pivoted in 2020 from in-person inspections to telephonic outreach with the industry. These outreach inspections were aimed at educating and enhancing the FFLs understanding of the federal firearm laws and regulations. In 2020, ATF conducted 14,888 telephonic outreach inspections with FFLs.

Figure IR-06: Total Completed FFL Compliance Inspections by Year, 2016 – 2020



See Table IR-01 in Appendix IR – Industry Regulation for a detailed listing of completed FFL inspections by year and assignment type between 2016 and 2020.

Completed FFL Compliance Inspections by FFL Type

Slightly more than 64% (31,045) of the completed compliance inspections between 2016 and 2020 involved Type 01 FFLs (Table IR-04). Completed compliance inspections of Type 07 FFLs accounted for slightly more than 18% (8,905) and Type 02 FFLs slightly less than 13% (6,206).

Table IR-04: Total Completed Compliance Inspections by FFL Type, 2016-2020

FFL Type	# of Inspections	% Total
Type 01 Dealer in Firearms	31,045	64.1%
Type 07 Manufacturer of Firearms	8,905	18.4%
Type 02 Pawnbroker in Firearms	6,206	12.8%
Type 08 Importer of Firearms	872	1.8%
Type 06 Manufacturer of Ammunition for Firearms	564	1.2%
Type 10 Manufacturer of Destructive Devices	283	<1%
Unknown / Not Identified	211	<1%
Type 11 Importer of Destructive Devices	166	<1%
Type 03 Collector of Curios and Relics	140	<1%
Type 09 Dealer in Destructive Devices	53	<1%
Total	48,445	100.0%

Percentage of FFLs Inspected

Between 2016 and 2020, most FFLs did not receive an annual compliance inspection (see Table IR-05). In every year, more than 85% of active FFLs did not experience a compliance inspection. Only 10% of active licensees in 2016 were subject to a compliance inspection. The percentage of inspected active licensees increased to nearly 15% in 2019. The COVID-19 pandemic decreased the percentage inspected to less than 6% active licensees in 2020.

Table IR-05: Percentage of FFLs with Compliance Inspections, 2016 – 2020 (Excludes Type 03 FFLs)

Year	# of FFLs	# of FFLs Inspected	% of FFLs Inspected
2016	91,201	9,523	10.4%
2017	90,810	10,384	11.4%
2018	89,780	10,579	11.8%
2019	88,302	12,782	14.5%
2020	87,129	5,037	5.8%

States with Highest Percentage of FFLs Inspected

Table IR-06a presents the top ten states with the highest percentage of FFLs that experienced a compliance inspection in 2019. New Jersey (35%), New Mexico (30%), Texas (29%), and Missouri (29%) had the highest shares of FFLs subject to compliance inspections in 2019.

Table IR-06a: Top Ten States with Highest Percentage of FFLs with Compliance Inspections, 2019 (Excludes Type 03 FFLs)⁸⁵

State or Territory	# of FFLs	# of FFLs Inspected	% of FFLs Inspected
New Jersey	423	147	34.8%
Texas	8,917	2,635	29.6%
New Mexico	829	244	29.4%
Missouri	2,913	853	29.3%
Delaware	148	41	27.7%
Ohio	3,272	887	27.1%
North Carolina	3,240	679	21.0%
Maryland	799	155	19.4%
Arizona	2,606	486	18.6%
Massachusetts	677	126	18.6%

See Table IR-06 in Appendix IR – Industry Regulation for percentage of FFLs with compliance inspections for all states and territories in 2019.

States with Lowest Percentage of Inspected FFLs

Table IR-06b presents the top ten states with the lowest percentage of FFLs subject to a compliance inspection in 2019. Wisconsin (2%), Nevada (3%), and Idaho (3%) had the lowest shares of FFLs with compliance inspections in 2019.

Table IR-06b: Top Ten States with Lowest Percentage of FFLs with Compliance Inspections, 2019 (Excludes Type 03 FFLs)⁸⁶

State or Territory	# of FFLs	# of FFLs Inspected	% of FFLs Inspected
Wisconsin	1,969	40	2.0%
Nevada	881	27	3.1%
Idaho	1,333	41	3.1%
North Dakota	558	22	3.9%
Wyoming	814	38	4.7%
Minnesota	1,798	85	4.7%
Mississippi	1,251	61	4.9%
Arkansas	1,726	87	5.0%
Indiana	1,906	100	5.2%
Rhode Island	129	7	5.4%

See Table IR-06 in Appendix IR – Industry Regulation for percentage of licensees with compliance inspections in all states and territories in 2019.

Completed FFL Compliance Inspections by IOI Recommendations

ATF has a national policy for determining administrative actions to promote consistent and equitable resolutions of violations of the GCA. The nature of the violations, their impact on public safety, and ATF's ability to reduce violent crime are significant considerations in determining the appropriate administrative action. IOIs are responsible for making an initial recommendation on any applicable administrative action. A field division's management team will evaluate the IOI's recommendation, and depending on the proposed action, may seek advice of ATF counsel or ATF HQ personnel.

ATF found no violations in more than 48% (23,419) of compliance inspections and reports of violations in which no further action was needed was recommended in almost 18% (8,589) of compliance inspections between 2016 and 2020 (Table IR-07). Nearly 12% (5,785) of compliance inspections resulted in the issuance of a warning letter and only 4% (1,935) of compliance inspections resulted in a warning conference being held between ATF and the FFL. Recommendations to revoke the license were rare, less than one percent (202) of such recommendations were made during this five-year period. Additionally, 85 FFLs either settled with or surrendered their licenses (34) in lieu of revocation because of a compliance inspection.

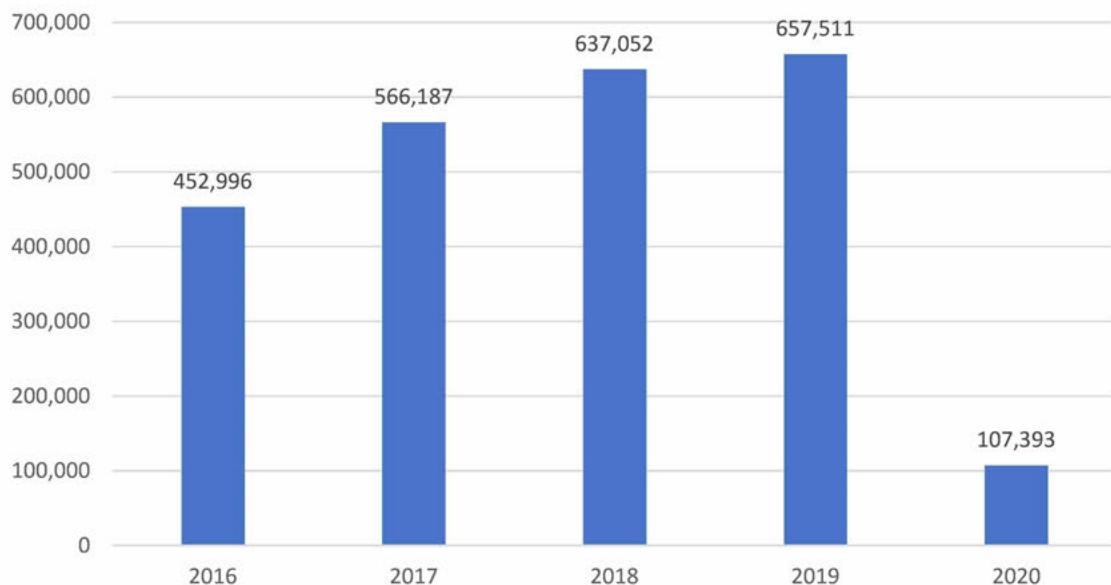
Table IR-07: Total Completed Compliance Inspections by Recommendation, 2016 – 2020

Recommendation	# of Inspections	% Total
No Violations Cited	23,419	48.3%
Report of Violations Only, No Further Action	8,589	17.7%
Warning Letter	5,785	11.9%
Licensee Out of Business	4,880	10.1%
Completed Inspection	2,499	5.2%
Warning Conference	1,935	4.0%
Other ⁸⁷	761	1.6%
Revocation	202	<1%
Settlement in lieu of revocation	85	<1%
Surrendered in lieu of revocation	34	<1%
Unknown / Not reported ⁸⁸	256	<1%
Total	48,445	100.0%

Completed FFL Compliance Inspections by Violations Cited

A small number of FFL compliance inspections generated very large upward deviations in the numbers of violations issued.⁸⁹ Table IR-09 in Appendix IR – Industry Regulation presents the total number of violations cited in all FFL compliance inspections completed between 2016 and 2020, including the inspections with highly skewed numbers of violations. Figure IR-07 presents the total number of violations cited in FFL compliance inspections during this same period excluding the inspections that had 50,000 or more violations cited. The total number of violations cited in compliance inspections increased by 45% from 452,996 in 2016 to 657,511 in 2019. Relative to 2019, the number of violations cited in compliance inspections dropped by 84% to 107,393 in the COVID-19 pandemic year of 2020.

Figure IR-07: Total Violations Cited in Compliance Inspections with Skewed Violations Excluded by Year, 2016 – 2020



See Table IR-10 in Appendix IR – Industry Regulation provides a breakdown of all violations cited in completed compliance inspections with skewed violations excluded between 2016 and 2020.

Table IR-08: Total Violations Cited in Compliance Inspections with Skewed Violations Included by Year, 2016 – 2020

Year	# of Violations
2016	29,330,224
2017	33,255,652
2018	1,562,231
2019	3,431,968
2020	107,393
Total	67,687,468

Top Ten Violations Cited in Completed Compliance Inspections

The top ten violations cited in completed compliance inspections with skewed violations included accounted for more than 96% (65,172,106) of the 67,687,468 total violations cited between 2016 and 2020 (see Table IR-09a).

Table IR-09a: Top Ten Violations Cited in Completed Compliance Inspections with Skewed Violations Included, 2016 – 2020

Violation Cited	# of Times Violation Cited	% of All Violations Cited
27 CFR 478.123(a) - Failure to timely record firearms manufactured / acquired in A&D record	14,883,676	22.0%
27 CFR 478.92(a)(1)(ii)(D) - Failure to properly mark firearms with manufacturer city, state in which the firearm was manufactured	10,467,456	15.5%
27 CFR 478.92(a)(1)(i) – Failure to properly mark firearms with serial number	10,458,593	15.5%
27 CFR 479.102(a) – Failure to properly mark a serial number on an NFA firearm	5,401,665	8.0%
27 CFR 479.102(a)(2) – Failure to properly mark NFA firearms with additional information	5,400,393	8.0%
27 CFR 478.92(a)(1)(ii)(C) – Failure to properly mark firearms with licensee name	5,058,605	7.5%
27 CFR 478.92(a)(1)(ii)(A) – Failure to properly mark firearms with designated model	5,034,307	7.4%
27 CFR 478.92(a)(1)(ii)(B) – Failure to properly mark firearms with caliber or gauge	5,003,033	7.4%
27 CFR 478.123(b) - Failure to maintain timely, accurate and complete disposition record	2,131,524	3.1%
27 CFR 478.121(c) – Making false entry, omitting entry, or failing to properly maintain required recordkeeping	1,332,854	2.0%
Total	65,172,106	96.3%

See Table IR-09 in Appendix IR – Industry Regulation for a complete listing of violations cited in completed compliance inspections with skewed violations included between 2016 and 2020.

When excluding these inspections, the top ten violations cited in completed compliance inspections accounted for 75% (1,815,033) of the 2,421,139 total violations cited between 2016 and 2020 (see Table IR-10a).

Table IR-10a: Top Ten Violations Cited in Completed Compliance Inspections with Skewed Violations Excluded, 2016-2020

Violation Cited	# of Times Violation Cited	% of All Violations Cited
27 CFR 478.125(e) - Failure to timely, accurately, and completely record information in A&D record	482,353	19.9%
27 CFR 478.123(a) - Failure to timely record firearms manufactured / acquired in A&D record	420,770	17.4%
27 CFR 478.123(b) - Failure to maintain timely, accurate and complete disposition record	269,287	11.1%
27 CFR 478.21(a) - Failure to complete the ATF Form 4473 as indicated by the headings on the form and the instructions on or pertaining to the form.	143,057	5.9%
27 CFR 478.124(c)(1) - Failure to obtain complete purchaser information on the 4473	132,929	5.5%
27 CFR 479.103 - Failure to file ATF Form 2 for registration of manufactured NFA firearms	93,880	3.9%
27 CFR 478.41(b) - Failure to obtain the required license to engage in the business as a dealer, manufacturer, or importer of firearms	76,767	3.2%
27 CFR 478.124(c)(3)(iv) - Failure to record all required NICS information, including the date NICS was contacted, and the response received on the 4473	69,385	2.9%
27 CFR 478.92(a)(1)(ii)(D) - Failure to properly mark firearms with manufacturer city, state in which the firearm was manufactured.	67,456	2.8%
27 CFR 478.124(c)(5) – Failure by transferor to sign and/or date (certify) the ATF Form 4473	59,149	2.4%
Total	1,815,033	75.0%

See Table IR-10 in Appendix IR – Industry Regulation for a complete listing of violations cited in completed compliance inspections with skewed violations excluded between 2016 and 2020.

Type 01 FFL Violations Cited

From 2016 to 2020, IOIs cited Type 01 FFLs with 725,997 violations when excluding inspections with skewed violations. The top ten violations cited accounted for approximately 94% (684,183) of the total violations cited between 2016 and 2020 (Table IR-11a). Moreover, a single violation, failure to timely record required information in the A&D Record, accounted for more than half of all violations cited.

Table IR-11a: Top Ten Violations Cited in Completed Compliance Inspections of Type 01 FFLs with Skewed Violations Excluded, 2016-2020

Violation Cited	# of Times Violation Cited	% of All Violations Cited
27 CFR 478.125(e) - Failure to timely record required information in A&D record	380,169	52.4%
27 CFR 478.21(a) - Failure to complete the ATF Form 4473 as indicated by the headings on the form and the instructions on or pertaining to the form.	81,401	11.2%
27 CFR 478.124(c)(1) - Failure to obtain complete purchaser information on the 4473	74,198	10.2%
27 CFR 478.124(c)(3)(iv) - Failure to record all required NICS information, including the date NICS was contacted, and the response received on the 4473	40,376	5.6%
27 CFR 478.124(c)(5) - Failure of licensee to sign and/or date (certify) the 4473	33,407	4.6%
27 CFR 478.124(c)(3)(i) - Failure to verify or record the purchaser's ID documents on 4473	25,706	3.5%
27 CFR 478.126(a) - Failure to report multiple handgun sales on ATF Form 3310.4	17,624	2.4%
27 CFR 478.124(c)(4) - Failure to properly identify the firearms transferred on 4473	16,914	2.3%
27 CFR 478.124(b) - Failure to maintain 4473 in required order	7,297	1.0%
27 CFR 478.102(a) - Failure to complete a NICS / POC background check prior to transferring a firearm	7,091	1.0%
Total	684,183	94.2%

See Table IR-11 in Appendix IR – Industry Regulation for a complete listing of violations cited in completed compliance inspections of Type 01 FFLs with skewed violations excluded between 2016 and 2020.

Type 02 FFL Violations Cited

From 2016 to 2020, IOIs cited Type 02 FFLs with 231,161 violations when excluding inspections with skewed violations. The top ten violations cited accounted for 96% (222,378) of the total violations cited between 2016 and 2020 (Table IR-12a). Moreover, a single violation, failure to timely record required information in the A&D Record, accounted for approximately 38% (87,473) of all violations cited.

Table IR-12a: Top Ten Violations Cited in Completed Compliance Inspections of Type 02 FFLs with Skewed Violations Excluded, 2016-2020

Violation Cited	# of Times Violation Cited	% of All Violations Cited
27 CFR 478.125(e) - Failure to timely record required information in A&D record	87,473	37.8%
27 CFR 478.124(c)(1) - Failure to obtain complete purchaser information on the 4473	36,949	16.0%
27 CFR 478.21(a) - Failure to complete the ATF Form 4473 as indicated by the headings on the form and the instructions on or pertaining to the form.	34,080	14.7%
27 CFR 478.124(c)(3)(iv) - Failure to record all required NICS information, including the date NICS was contacted, and the response received on the 4473	18,226	7.9%
27 CFR 478.124(c)(5) - Failure of licensee to sign and/or date (certify) 4473	13,896	6.0%
27 CFR 478.124(c)(3)(i) - Failure to verify or record the purchaser's ID documents on 4473	11,002	4.8%
27 CFR 478.124(c)(4) - Failure to properly identify the firearms transferred on 4473	8,065	3.5%
27 CFR 478.124(b) - Failure to maintain 4473 in required order	6,188	2.7%
27 CFR 478.126(a) - Failure to report multiple handgun sales on ATF Form 3310.4	5,217	2.3%
27 CFR 478.102(a) - Failure to complete a NICS / POC background check prior to transferring a firearm	1,282	0.6%
Total	222,378	96.2%

See Table IR-12 in Appendix IR – Industry Regulation for a complete listing of violations cited in completed compliance inspections of Type 02 FFLs with skewed violations excluded between 2016 and 2020.

Type 07 FFL Violations Cited

From 2016 to 2020, IOIs cited Type 07 FFLs with 1,320,288 violations when excluding inspections with skewed violations. The top ten violations cited accounted for 83% (1,100,974) of the total violations cited between 2016 and 2020 (Table IR-13a). Failure to timely record firearms manufactured and/or acquired in the A&D record was the top violation, accounting for almost 30% (391,101) of total violations cited during completed inspections of Type 07 FFLs.

Table IR-13a: Top Ten Violations Cited in Completed Compliance Inspections of Type 07 FFLs with Skewed Violations Excluded, 2016-2020

Violation Cited	# of Times Violation Cited	% of All Violations Cited
27 CFR 478.123(a) - Failure to timely record firearms manufactured / acquired in A&D record	391,101	29.6%
27 CFR 478.123(b) - Failure to maintain timely, accurate and complete disposition record	245,075	18.6%
27 CFR 479.103 - Failure to file ATF Form 2 for registration of manufactured NFA firearms	92,663	7.0%
27 CFR 478.41(b) - Failure to obtain the required license to engage in the business as a dealer, manufacturer, or importer of firearms	75,006	5.7%
27 CFR 478.92(a)(1)(ii)(D) - Failure to properly mark firearms with manufacturer city, state in which the firearm was manufactured	67,193	5.1%
27 CFR 478.92(a)(1)(ii)(C) - Failure to properly mark firearms with licensee name	55,541	4.2%
27 CFR 478.92(a)(1)(i) - Failure to properly mark firearms with a serial number	55,107	4.2%
27 CFR 478.92(a)(1) - Failure to legibly identify firearms with required markings	44,778	3.4%
27 CFR 478.123(d) - Failure to maintain an accurate/complete/timely nonlicensee disposition record	41,928	3.2%
27 CFR 478.92(a)(2) - Failure to properly mark firearm frame or receiver with required markings	32,582	2.5%
Total	1,100,974	83.4%

See Table IR-13 in Appendix IR – Industry Regulation for a complete listing of violations cited in completed compliance inspections of Type 07 FFLs with skewed violations excluded between 2016 and 2020.

Qualification Inspections

FFL applications are sent to the nearest ATF field office with responsibility for the area in which the business premises are located. The GCA requires that all firearms licenses must be issued or denied within 60 days of ATF's receipt of a perfected application. ATF is mandated by statutory requirements to issue an FFL if the applicant has submitted a properly executed application and has no prohibitive factors.

The field office supervisor will issue an assignment to an IOI who will conduct a face-to-face qualification inspection with the applicant. Except in extraordinary circumstances, ATF policy is for an IOI to conduct qualification inspections in-person at the applicant's proposed business premises. The IOI will discuss federal, state, and local requirements, and go over the application with the applicant to ensure the information is correct and current.

IOIs also provide instructional and educational materials about the requirements of the law and regulations and best business practices. This includes the Federal Firearms Regulations Reference Guide, which covers laws, regulations, and other information about operating a firearms business in compliance with federal statutes. Other publications, such as the Safety and Security Information for Federal Firearms Licensees, educate the FFL in the areas of structural security, inventory security, safe business practices, and how to report a theft or loss.

Licensees are also encouraged to contact their local ATF office for information and assistance to ensure safe and compliant operations of the business. The local office can also assist the FFL in the preparation of theft/loss reports that must be submitted to the Stolen Firearms Program if a theft or loss has occurred.

Completed FFL Qualification Inspections by Year

ATF IOIs completed 54,497 qualification inspections between 2016 and 2020. The number of completed qualification inspections steadily decreased by 17% between 2016 (11,772) and 2019 (9,738). Completed qualification inspections then increased by almost 24% in 2020 (12,036) (see Figure IR-08).⁹⁰

Figure IR-08: Total Completed FFL Qualification Inspections by Year, 2016 – 2020



See Table IR-01 in Appendix IR – Industry Regulation for a detailed listing of completed FFL inspections by year and assignment type between 2016 and 2020.

Completed Qualification Inspections by FFL Type

Slightly more than 59% (32,202) of completed qualification inspections between 2016 and 2020 involved Type 01 FFLs (Table IR-14). Completed qualification inspections of Type 07 FFLs (25% of 54,497) and Type 02 FFLs (6% of 54,497) represented the next most frequent FFL type inspected between 2016 and 2020.

Table IR-14: Total Completed Qualification Inspections by FFL Type, 2016 - 2020

FFL Type	# of Inspections	% Total
Type 01 Dealer in Firearms	32,202	59.1%
Type 07 Manufacturer of Firearms	13,787	25.3%
Type 02 Pawnbroker in Firearms	3,176	5.8%
Type 06 Manufacturer of Ammunition for Firearms	2,514	4.6%
Type 08 Importer of Firearms	1,495	2.7%
Type 03 Collector of Curios and Relics	604	1.1%
Type 10 Manufacturer of Destructive Devices	322	<1%
Type 11 Importer of Destructive Devices	177	<1%
Type 09 Dealer in Destructive Devices	160	<1%
Unknown / Not Identified	60	<1%
Total	54,497	100.0%

Completed Qualification Inspections by IOI Recommendation

As reflected in Table IR-15, ATF IOIs approved 79% (43,251) of the qualification inspections completed between 2016 and 2020. On average, ATF approved over 166 new FFLs every week during this period. Conversely, 20% (10,906) of applications were withdrawn between 2016-2020. Lastly, IOIs denied 70 applications between 2016 and 2020.

Table IR-15: Total Completed Qualification Inspections by Recommendation, 2016 – 2020

Recommendation	# of Inspections	% Total
Approved	43,251	79.4%
Withdrawn	10,906	20.0%
Abandoned	219	<1%
Denied	70	<1%
Unknown / Not reported	51	<1%
Total	54,497	100.0%

General Assignments and Other Duties

Besides conducting firearm and explosives compliance and qualification inspections, IOIs also conduct a variety of outreach activities to the regulated industries, its government partners, and to the public. For instance, ATF outreach activities can take a variety of forms such as giving presentations to schoolchildren and the public to promote public safety and violence prevention, building partnerships with industry members and professional organizations to meet common goals, and providing training and other services to employees of other federal, state, and local agencies to improve their ability to do their jobs.

In support of ATF's regulatory mission, IOIs meet with state and local agencies and zoning boards to discuss regulations and ordinances to determine if an applicant can legally operate within their jurisdiction. ATF also closely coordinates with state regulatory agencies to detect and prevent diversion of firearms from legal commerce.

ATF works in partnership with the regulated industries to prevent firearms from being diverted to individuals who are prohibited from possessing them. ATF periodically holds seminars for industry members and also operates informational booths at gun shows as a part of its outreach efforts. Furthermore, ATF strives to educate licensees on these topics via electronic resources, such as open letters sent to FFLs, information posted on its website, and newsletters.

Between 2016 and 2019, ATF IOIs conducted 1,839 outreach related activities, averaging 459 outreach events annually. In 2020, more than 21,190 outreach activities were held. Table IR-16 provides a breakdown of the target audience for each outreach activity conducted.

Table IR-16: Outreach Conducted by Target Audience, 2016 – 2020

Outreach Activity	2016	2017	2018	2019	2020	Total
Telephonic to Industry					14,888	14,888
Government	52	53	60	58	14	237
Gun Show	138	97	96	79	22	432
Industry	209	235	218	234	6,230	7,126
Public	81	83	88	58	36	346
Total	480	468	462	429	21,190	23,029

Industry Outreach

ATF regularly conducts firearms industry outreach initiatives and partners with private sector organizations to promote voluntary compliance and prevent firearm thefts. One pertinent example is ATF's partnership with the National Sport Shooting Foundation (NSSF) to promote Operation Secure Store (OSS) which is a multifaceted initiative providing FFLs with education to enhance firearms security and identify potential weaknesses that could cause an FFL to be more susceptible to a criminal threat or other hazard that could lead to the theft or loss of firearms. The primary goal of OSS is in working to deter and prevent thefts or losses from FFLs, leveraging resources to enhance public safety and reducing the impact to communities affected by these crimes.

Government Outreach

ATF's National Tracing Center (NTC) traces firearms associated with crimes and provides investigative leads for local, state, federal and foreign law enforcement agencies. NTC uses technologies and tools such as [eTrace](#) to detect firearms trafficking and track the movement of crime guns across police jurisdictions, state lines, and national borders. Each year, ATF processes firearm [trace requests](#) for thousands of domestic and international law enforcement agencies. ATF also helps foreign law enforcement agencies by tracing U.S.-sourced firearms recovered in their countries.

Public Outreach

ATF's community-based outreach consists of prevention and deterrence efforts as well as services for the public. ATF maintains a website, www.atf.gov, where the public and regulated industry members can obtain information about the Bureau and the laws it enforces, as well as publications and forms. ATF operates several hotlines by which the public can contact the Bureau to report violations which fall within ATF's jurisdiction including firearms violations- 1-800-ATF-GUNS (1-800-283-8467).

Seminars

ATF routinely holds firearm seminars for FFLs as well as for groups of licensees under the same ownership, such as corporate retailers. Firearm seminars focus on pertinent topics such as preventing straw purchases, implementing best practices to prevent firearms burglaries and internal theft, question and answer sessions and how to comply with recordkeeping requirements. Recent firearm seminars include guidance on developing technology such as electronic recordkeeping. Electronic recordkeeping has shown to help FFLs comply with firearms tracing requests. Specifically, electronic ATF Forms 4473 and acquisition and disposition records lead to faster and more accurate trace responses when compared to manually searching hardcopy records.

Gun Shows

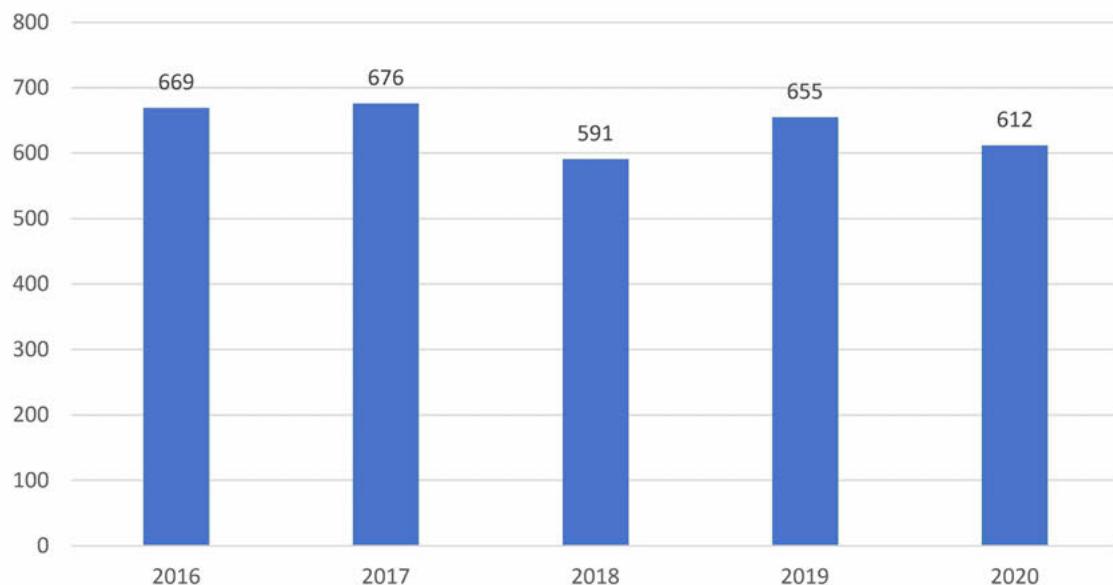
Each ATF field division, at a minimum, generally attends two gun shows every year. During the gun show, IOIs operate an informational booth to provide information and answer questions. These booths are staffed by experienced IOIs who answer a variety of questions related to traces, thefts, records, inventory, security, and maintaining compliance. Additionally, it provides an opportunity for the public to ask IOIs questions related to firearms.

Industry Operations Staffing

IOI Field Staffing by Calendar Year

Table IR-09 presents the number of field IOIs employed by ATF between 2016 and 2020. The number of IOIs available to complete inspections was relatively flat over this period with a high of 676 in 2017 and a low of 591 in 2018. The 612 IOIs employed in 2020 completed 17,660 inspections (ratio of one IOI for every 29 completed FFL inspections) and regulated 87,129 FFLs (ratio of one IOI for every 142 licensees).

Figure IR-09⁹¹: Total Field IOIs Employed by ATF, 2016-2020



As reflected in Table IR-17, there were an average of 759 total IOIs of which an average of 641 IOIs were assigned to ATF field divisions in field positions⁹² between 2016 and 2020. IOIs assigned to the field are responsible for conducting all regulatory inspections. All other IOIs are either in supervisory positions or specialized IOI positions primarily located at ATF Headquarters.

Table IR-17: Total IOI Staffing, 2016 – 2020

IOI Allocation	2016	2017	2018	2019	2020	Avg # IOIs
Field IOIs	669	676	591	655	612	641
Supervisory/Programmatic IOIs	122	120	80	132	137	118
Total	791	796	671	787	749	759

IOI Field Staffing by State

As reflected in Table IR-18 in Appendix IR – Industry Regulation, the number of IOIs varied across states. These totals and ratios reflect the total number of FFLs in each state in 2020 excluding Type 03 FFLs. In 2020, Texas had the largest number of IOIs assigned by ATF with 74 IOIs assigned to regulate 8,980 FFLs with a 1:121 ratio. In contrast, Wyoming only had one IOI assigned to regulate 805 FFLs spread over a geographical area of 97,813 square miles. Tables IR-18a and IR-18b present the top ten states with the highest and lowest IOI to FFL ratios in 2020, respectively.

Table IR-18a: Top Ten States with Highest Field IOI to FFL Ratio, 2020 (Excludes Type 03 FFLs)⁹³

State or Territory	# FFLs	# Field IOIs	Field IOI to FFL Ratio
Delaware	153	3	1:51
New Jersey	407	7	1:58
New Mexico	773	10	1:77
California	3,016	36	1:84
Virginia	2,294	25	1:92
Missouri	2,841	30	1:95
West Virginia	1,140	11	1:104
Massachusetts	669	6	1:112
Maryland	793	7	1:113
Tennessee	2,033	18	1:113

Table IR-18b: Top Ten States with Lowest Field IOI to FFL Ratio, 2020 (Excludes Type 03 FFLs)⁹⁴

State or Territory	# FFLs	# Field IOIs	Field IOI to FFL Ratio
Wyoming	805	1	1:805
Iowa	1,625	3	1:542
Kansas	1,428	3	1:476
Oregon	1,711	5	1:342
Idaho	1,322	4	1:331
Wisconsin	1,922	6	1:320
Montana	1,330	5	1:266
Alaska	728	3	1:243
Oklahoma	1,936	9	1:215
New York	2,219	11	1:202

See Table IR-18 in Appendix IR – Industry Regulation for a complete listing states and U.S. territories by number of FFLs, field IOIs, and field IOI to FFL ratio for 2020.

ATF Actions to Increase Efficiency

ATF needed to replace its outdated systems with a modern, state-of-the-art technology with the latest web-based IT tools to meet its mission requirements with greater efficiency. As a result, in late 2017 ATF began using a unified case management system for inspections and investigations that allows officers to manage data at any time and from any location. With this new platform, all ATF field offices can collaborate to ensure the solution meets the mission-critical needs. Although the determination of which FFLs to inspect is dictated by policy and the Frontline model, the new software is making significant improvements to provide a more streamlined and standardized inspection process as it breaks

down the steps with special emphasis on how and when they should be completed, ensuring nationwide consistency among field divisions and better use of resources.

Firearm Industry Supported Educational Campaigns

FFLs play a key role in safeguarding the public from violent crime by maintaining accurate records, instituting internal controls, and performing background checks on potential firearm purchasers. These practices have saved lives, prohibited violent criminals from obtaining firearms, and prevented firearms-related crimes. ATF considers FFLs as the front line of defense for intelligence on the criminal misuse of firearms. ATF has worked with the firearms industry on several programs that have leveraged ATFs regulatory authorities to assist with its criminal enforcement mission.

Don't Lie for the Other Guy

A campaign to educate America's firearm retailers on how to detect would-be straw purchasers and to raise public awareness that it is a serious crime to buy a firearm for a prohibited person or for someone who does not otherwise want their name associated with the transaction. These efforts are intended to reduce straw purchases and to encourage the reporting to law enforcement of attempted or completed straw purchases.

Operation Secure Store

ATF supports OSS, a multifaceted initiative providing FFLs with education on solutions and services that enhance operational security and aid in identifying potential risks, protecting interests, and limiting the disruption of operations. The program focuses on five areas: education and awareness, assessment and risk analysis, planning and strategy, engagement, and response. A component of the initiative is a series of regional seminars. In addition to discussing security, these seminars also provide training on ATF compliance. The combined effort of promoting proven security practices and encouraging regulatory compliance should help reduce the illicit acquisition of firearms.

DOJ's Bureau of Justice Assistance (BJA) has also sponsored a number of programs to reduce firearm accidents and misuse that have been supported by the firearm industry.

Project ChildSafe

Project ChildSafe is a nationwide initiative to promote firearm responsibility and provide safety through the distribution of safety education messages and free firearm safety kits. The program intends to provide education to all gun owners, young adults, and children. Thousands of law enforcement agencies provide free firearm safety kits to gun owners, which is in addition to more than 70 million free locking devices manufacturers include with new firearms sold (a practice begun in 1998 that continues to this day). The inclusion of locking devices with manufactured firearms helps FFLs comply with the requirement that a secure gun storage or safety device be included with the transfer of a handgun to a non-licensee.

Project Lock It Up

Project Lock it Up focuses on encouraging gun owners to secure firearms when not in use to prevent children, at-risk youth, potential thieves, and those who intend to harm themselves from accessing firearms. Additionally, it encourages firearm owners to record their firearm inventory information in the event of a theft and provides a link to ATF's Personal Firearms Record pamphlet. The program also provides links to assist individuals and FFLs on how to find state and federal laws governing firearms.

Project Sell with Certainty

“Sell With Certainty” is a program intended to educate firearm owners on the safest methods to sell a firearm to another individual. Specifically, it encourages unlicensed individuals to utilize an FFL to facilitate a sale to another unlicensed individual because of the FFLs ability to conduct a background check on the prospective buyer. The website provides a handout for FFLs to assist them when conducting a private party transfer. It also contains a link to www.atf.gov, where FFLs can obtain additional resources on facilitating these transfers.

STOP School Violence Program

The Student, Teachers, and Officers Prevents (STOP) School Violence Program seeks to improve school security by providing teachers and students with tools they need to recognize, respond quickly to, and prevent acts of violence. DOJ’s BJA and Office of Community Oriented Policing Services offers grants to improve security at schools through evidence-based programs. The objectives are accomplished via grants to help state, local, and tribal governments to train personnel and educate students on preventing student violence, develop and operate technology solutions, develop and create threat assessment and intervention teams, specialized training for school officials to respond to a mental health crisis, and support any measure that BJA determines provides a significant improvement in training, threat assessment and reporting, and violence prevention.

Summary

IOIs are responsible for conducting inspections of the regulated firearms and explosives industries. The number of ATF IOIs in field positions is very small relative to the number of FFLs and the number of completed inspections per year. For instance, in 2019, ATF employed only 655 field IOIs who were responsible for regulating 88,302 active FFLs (ratio of one IOI for every 135 FFLs) and 9,512 FEL/Ps (ratio of one IOI for every 14 FEL/Ps). In 2019, IOIs completed 22,527 FFL qualification and compliance inspections (ratio of one IOI for every 34 completed inspections) and 4,460 FEL/P qualification and compliance inspections (ratio of one IOI for every 7 completed inspections). Beyond regulating the firearms and explosive industries, IOIs are responsible for a variety of ATF outreach activities such as providing training and education, forming partnerships with industry members and professional organizations, meeting with state and local government agencies on regulatory matters, and other actions. In 2020, IOIs completed 21,190 outreach-related activities.

Every year between 2016 and 2019, IOIs completed more than 21,000 FFL inspections per year. In the COVID-19 pandemic year of 2020, the total number of FFL inspections dropped to 17,660 driven by a steep 61% decrease in compliance inspections from 12,789 in 2019 to 5,039 in 2020. However, the number of qualification inspections increased by 24% from 9,738 in 2019 to 12,036 in 2020. ATF IOIs

approved FFL applications in almost 80% of qualification inspections completed between 2016 and 2020. On average, more than 166 new FFLs were approved per week during this period.

Most FFLs were not subjected to a compliance inspection during each year of the 2016 through 2020 period. IOIs found no violations in almost half of all completed compliance inspections and recommended no further action in close to one in five completed compliance inspections. Type 01 FFLs accounted for more than two-thirds of all compliance inspections while Type 07 FFLs and Type 02 FFLs each accounting for roughly 13% of total number of completed compliance inspections between 2016 and 2020. Failure to timely record required information in the A&D record was the most frequent violation cited in inspections of Type 01 and Type 02 FFLs. Failure to timely record firearms manufactured and/or acquired in the A&D record was the top violation cited during inspections of Type 07 FFLs.