

Assignment and Report

1. OPERATING NAME AND ADDRESS (INCLUDE ZIP CODE AND COUNTY) HGS LLC 2850 KAIHIKAPU ST #B HONOLULU, HI 96819, HONOLULU		2. U.I. NUMBER (ORG. SEG. CODE, ASSIGNMENT NO., P.P.C.) 787040-2018-0138-B1B		
		3. PERMIT/LICENSE NUMBER 999003010A00941	4a. TARGET DATE 3/1/2018	4b. TARGET HOURS
		5. REQUESTED BY (SIGNATURE, TITLE AND DATE)		
6. ATF OFFICER(S) ASSIGNED (b)(6) - Lead Investigator				
7. ASSIGNED BY (SIGNATURE, TITLE AND DATE) (b)(6), Area Supervisor, 11/19/2017				
8. PURPOSE/SPECIAL INSTRUCTIONS CONDUCT DE INSPECTION.				
9. INSPECTION RESULTS <input type="checkbox"/> CHECK IF NO VIOLATIONS, ADJUSTMENTS, ETC				
NO. OF VIOLATIONS	1	NO. OF REFERRALS		10. TRAVEL EXPENSES (OPTIONAL)
NO. OF TECS CHECKS	9	NO. OF TECS HITS	1	2111 - PER DIEM
NO. OF TAX ADJUSTMENTS		\$ VALUE OF TAX INCREASES		2112 - P.O.A.
		\$ VALUE OF TAX DECREASES		2113 - COMM. AIR
NO. OF ASSESSMENTS		\$ VALUE OF ASSESSMENTS		2114 - RENTAL CAR
NO. OF CLAIMS		\$ VALUE OF CLAIMS		2115 - GPV EXPENSES
NO. OF TAX PERIODS		\$ VALUE OF TAXES VERIFIED		2116 - MISC.
				TOTAL \$ FOR INSP.
11. ATF OFFICER'S RECOMMENDATION Submitted by (b)(6) - INDUSTRY OPERATIONS INVESTIGATOR Submitted on: 05/2 On 4/24/2018, IOI (b)(6) met with Eugene Lee, Member and Responsible Person (RP), for an onsite Disposition Emphasis firearms compliance inspection. The inspection disclosed the following violations: 27 CFR 478.125(e) – On (b)(6) occasions, the licensee received a firearm and failed to record any acquisition information into the Acquisition and Disposition (A&D) record. On (b)(6) occasions, the licensee received and transferred a firearm and failed to record any acquisition or disposition information into the A&D record. Investigator (b)(6) recommends a Warning Letter and Recall based on the licensee's failure to timely record (b)(6) A&D record entries during the one-year inspection period. Viols WL ONLY and Recall Inspection				
12. TIME ACCOUNTING DATA				
ATF OFFICER'S NAME (MONTH, YEAR, HOURS) (b)(6)				
NOV 2017		2.00		
MAR 2018		2.00		
APR 2018		16.00		
MAY 2018		16.00		
ATF OFFICER'S SUBTOTAL		36.00	ATF OFFICER'S SIGNATURE	
TOTAL HOURS		36.00		

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13. REVIEW AND ROUTING

REVIEW COMMENTS AND RECOMMENDATION

PII emailed to FFLC; copy attached.

Viols WL ONLY and Recall Inspection

☒ REVIEWED

☒ CONCUR

☒ SEE COMMENTS

☒ FINAL DISPOSITION

SIGNATURE AND TITLE

(b)(6) - Area Supervisor

REVIEW DATE

06/01/2018

ROUTING SEQUENCE AND DATE

- ☐ 1. _____
- ☐ 2. _____
- ☐ 3. _____
- ☐ 4. _____

CONTROL FILE POSTED DATE _____

Report of Violations

Instructions

Please write firmly with a ball point pen when completing this form. ATF officers will prepare this form in triplicate. The original copy will be given to the proprietor or a responsible representative. The remaining copies will be submitted with the completed inspection report. Supervisors will detach one copy from the completed report for their files.

Name of Proprietor HGS LLC	Street Address 2850 KAIHIKAPU ST #B	City HONOLULU	State HI	Zip Code 96819-	County HONOLULU	Page 1 of 1 Pages
License/Permit/Registry Number (If any) 999003010A00941	Expiration Date 1/1/2020	Date(s) or Period of Inspection 04/24/2017 through 04/23/2018				

Inspection Results

An examination of your premises, records and operations has disclosed the following violations which have been explained to you:

Number: 1

Nature of Violation:

On (b)(3) occasions, the licensee received a firearm and failed to record any acquisition information into the Acquisition and Disposition (A&D) record. On (b)(3) occasions, the licensee received and transferred a firearm and failed to record any acquisition or disposition information into the A&D record.

Citation: 27 CFR 478.125(e)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

The licensee recorded complete and accurate information into the A&D record for all discrepancies identified during the inspection. Licensee will record complete and accurate entries in the A&D record within the prescribed timeframe.

I Have Received a Copy of This Report of Violations (Proprietor's signature and title)

Date

5-23-18

Signature

For Office

(b)(6)

INDUSTRY OPERATIONS INVESTIGATOR

Date

5/23/2018

FIREARMS INSPECTION REPORT

Name: HGS, LLC
Trade Name:

UI#: 787040-2018-0138
FFL#: 9-99-003-01-0A-00941

Address: 2850 Kaihikapu Street
Honolulu, HI 96819

1 - Introduction

Inspection Profile:

On 4/24/2018, Industry Operations Investigator (b)(6) met with Eugene Lee, Member and Responsible Person (RP), for an onsite Disposition Emphasis firearms compliance inspection. Investigator (b)(6) identified himself as a Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) Investigator and presented his credentials. Mr. Lee provided (b)(6) Driver's License # (b)(6), expires 8/27/2020, as identification.

Investigator (b)(6) did not provide advanced notice of the inspection. The onsite inspection was completed on 5/23/2018. The inspection covered the period from 4/24/2017 through 4/23/2018.

Business Profile:

HGS operates a retail storefront in an urban area of Honolulu, Hawaii. The licensee offers gunsmith services and sells new long guns and handguns in a retail setting. A Federal Licensing System (FLS) query disclosed that HGS does not currently hold any other ATF issued licenses or permits. In 2014, HGS LLC applied for both a Type 01 and Type 06 FFL (9-99-00772 and 9-99-00773). HGS LLC withdrew its applications in 2015 after being unable to secure property owner authorization.

The licensee maintains a website, hawaiiGUNshop.com, and uses social media to promote the business. Mr. Lee stated that HGS does not manufacture/import firearms, deal in NFA items, accept firearms on pawn, or sell black powder.

Investigator (b)(6) confirmed that HGS has current registration as a domestic limited liability company with the Hawaii State Department of Commerce and Affairs. HGS also holds current Honolulu Business and Occupational License # 0076092 and Hawaii State Excise Tax License # GE-164-075-3152-01.

HGS acquired (b)(4) firearms and sold or transferred approximately (b)(4) firearms during the one-year inspection period. The licensee acquires new firearms from common wholesalers and used firearms from non-licensees for gunsmith purposes. Mr. Lee stated that he typically operates the store by himself with occasional assistance from RP Roderick Hipol.

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The Type 01, Dealer in Firearms Other than Destructive Devices, license is appropriate for the business.

Ownership and Control:

Mr. Lee stated that there have been no changes in ownership or control since issuance of the license in 2016. Mr. Lee stated that he is the sole member and owner of the LLC. Mr. Lee stated that Roderick Hipol is a close friend that assists him with gunsmith work, and sometimes operates the store independently if needed. FLS reflects that Eugene Lee and Roderick Hipol are both listed as responsible persons on the license.

Variance:

The licensee has not requested a variance.

2 - Recommendation

Investigator (b)(6) recommends a Warning Letter and Recall based on the licensee's failure to timely record (b)(6) A&D record entries during the one-year inspection period.

3 - Inspection History

Investigator (b)(6) queried the Federal Licensing System (FLS) and NSPECT and found the following inspection history.

Date of Inspection:	11/23/2016
Type of Inspection:	Onsite Qualification
UI#:	787040-2017-0199
Inspection Results:	License issued
Cited Violations:	None

4 - Acquisition & Disposition (A&D) Record - Inventory

At the time of the inspection, HGS was maintaining a single bound book record in the required format for all transactions. Examination of the record disclosed that Mr. Lee made the last acquisition entry on 7/12/2017. The record did contain disposition entries throughout the inspection period. Investigator (b)(6) asked Mr. Lee to explain why the record did not contain any acquisitions after 7/12/2017.

Mr. Lee stated that he decided to transition to a computer A&D record in July 2017 since the business had much higher sales volume than he anticipated. Mr. Lee stated that he was not sure which software vendor to use, so as of 4/24/2018 he had not yet created the computer record. Mr. Lee stated that he kept printouts of firearms received

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from his suppliers, and invoices for gunsmith transactions, so he could enter the data in the computer record later. During the inspection, Mr. Lee stated that he would immediately begin using an Excel spreadsheet as his computer record.

Mr. Lee acknowledged that, other than making dispositions for firearms previously in the bound book, he did not make required A&D record entries for the period from 7/13/2017 through start of the inspection on 4/24/2018. Mr. Lee stated that he had all of the necessary information and would begin updating his A&D records immediately. On 5/20/2018, Mr. Lee emailed Investigator (b)(6) a copy of his computer record and indicated that he had completed all A&D entries. Refer to **Exhibit 1**.

A full inventory disclosed that there were **166 firearms in the HGS inventory** at the time of the inspection. Refer to **Exhibit 2**. Investigator (b)(6) reconciled the inventory to the bound book record (which only contained acquisitions through 7/12/2017) and found that (b)(3) firearms were not logged into the A&D record. Investigator (b)(6) confirmed that the new computer record contains entries for these firearms, as well as inventory items acquired within seven days of the inspection.

Investigator (b)(6) cited the licensee on a Report of Violations (ROV) for failing to comply with **27 CFR 478.125(e)** as follows: On (b)(3) 112 occasions, the licensee failed to timely record the acquisition of a firearm. On (b)(3) 112 occasions, the licensee failed to timely record the acquisition and disposition of firearm. Refer to **Violation 1**. All violations are included on **Worksheet 1** and supported by the licensee's recreated computer record included as **Exhibit 1**.

Mr. Lee acknowledged the violations and stated that he regretted mishandling the transition to a computer record from a bound book record.

The licensee reported (b)(3) 112 firearm missing from inventory during the inspection period, (b)(3) - 112 Public Law 55 125 Stat 552. E-Trace reflects that Mr. Lee reported the theft on 12/12/2017, and indicated at the time that he threw away the firearm by mistake. During the inspection, Mr. Lee again stated that he believes he mistakenly discarded the firearm in into a dumpster near the premises.

Mr. Lee stated that he believes the firearm was in a box that he thought was empty at the time. Mr. Lee stated that by the time he realized the firearm was missing, the dumpster containing the box had been emptied. Investigator (b)(6) located entries for the firearm in the HGS recreated computer record and found that the disposition reflects the date of the loss and ATF incident number. E-Trace indicates that the firearm has not been recovered. An Open Fox query for the firearm was positive, and indicated that a Federal firearms licensee mistakenly placed the firearm in a trash receptacle. Refer to **Exhibit 2, incident # (b)(3) - 112 Public Law 55 125 Stat 552**.

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5 - ATF Forms 4473 – NICS & Other Dispositions

The licensee had **409 ATF Forms 4473** on file for the one-year period preceding the inspection. HGS assigns a sequential number to each form and maintains the forms in numerical order. HGS had no denied or cancelled forms on file, but Mr. Lee confirmed he would create a separate file. Investigator (b)(6) reviewed all 409 forms on file for the inspection period and found no violations.

Mr. Lee stated that he thoroughly reviews all ATF Forms 4473 prior to and after the transfer. Mr. Lee stated that he check all forms for errors and omissions, and verifies that each purchaser has obtained a valid Permit to Acquire from the local police department per State of Hawaii requirements.

FFLs in the State of Hawaii do not conduct background checks since purchasers are required to obtain a Permit to Acquire (PTA) from the county police department before purchasing a firearm. The police department conducts background checks on purchasers, and the Hawaii PTA qualifies as an exemption to NICS. Purchasers must present the PTA to firearms dealers at the time of transfer and dealers record the permit details in item 23 of ATF Form 4473.

Permits for handguns are valid for 10 days from issuance and each PTA is issued for a specific handgun. Purchasers must obtain a separate PTA for each handgun purchase.

Permits for long guns are valid for a 12-month period and allow multiple acquisitions under the same PTA. The local police department conducts a background check at the time the long gun PTA is issued, but no additional background check is conducted at the time of transfer, which could be as long as 12 months later. Purchasers are required to register long guns with the local police after making an acquisition, and a second background check is conducted at that time.

Investigator (b)(6) selected six long gun purchasers for a NICS background re-check. The transactions involved long gun purchases where the date of transfer was more than one month after issuance of the long gun PTA. Four checks resulted in a “proceed” response from NICS, and two checks resulted in a “delayed” response. Investigator (b)(6) queried Open Fox for the two delayed purchasers and found that the purchasers do not appear to be prohibited from possessing a firearm. Investigator (b)(6) will continue to monitor the delays until NICS provides a final response.

6 - Multiple Sales

Investigator (b)(6) requested an FFL History Report from the Violent Crime Analysis Branch (VCAB) for the period from 12/27/2016 (issuance of the license) through 4/24/2018. Refer to **Exhibit 4**. The VCAB indicated that HGS has filed (b)(6) multiple sale

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reports involving [REDACTED] firearms. Investigator (b)(6) examined the ATF Forms 4473 on file for the inspection period and found no unreported multiple sales.

7 - Suspicious/Prohibited Purchasers

No suspicious or prohibited purchasers were identified.

8 - Trace Activity

Investigator (b)(6) requested an FFL History Report from the VCAB for the period from 12/27/2016 through 4/24/2018. Refer to **Exhibit 4**. The VCAB indicated that HGS is not associated with any firearms traces.

9 - NFA/Importer/Collector/Manufacturer

The licensee is not engaged in these activities.

10 - Referrals

No referrals were made.

11 - Other

Investigator (b)(6) queried NFORCE prior to the inspection and found that the HGS RPs are not associated with any ATF criminal investigations. Open Fox queries disclosed no indication that any of the HGS RPs are prohibited.

An FLS query disclosed that HGS does not currently hold any other ATF issued licenses or permits. In 2014, HGS applied for a Type 01 and Type 06 FFL (9-99-00772 and 9-99-00773). HGS withdrew its applications in 2015 after being unable to secure property owner authorization.

Investigator (b)(6) obtained the following GPS coordinates for the premises during the inspection: 21.34061, -157.89798.

The HGS premises is not located within 1000 feet of a school. Moanalua Elementary is the closest school at a distance of approximately 3400 feet from the premises.

12 - Closing Actions

Investigator (b)(6) completed the onsite inspection and held a closing conference with Mr. Lee on 5/23/2018. Investigator (b)(6) discussed the inspection findings and reviewed the ROV with Mr. Lee. Investigator (b)(6) explained the violations and

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discussed corrective actions with the licensee. Mr. Lee signed the ROV and Investigator (b)(6) provided him with a copy.

Investigator (b)(6) also reviewed the Acknowledgement of Federal Firearms Regulations with Mr. Lee on 5/23/2018. Mr. Lee signed the acknowledgement and Investigator (b)(6) provided him with a copy. Refer to **Exhibit 5**.

Investigator (b)(6) provided Mr. Lee with his contact information and encouraged him to contact ATF with any questions related to his firearms business.

13 - Violations

1. 27 CFR 478.125(e) – Record of Receipt and Disposition

Nature of violation – On (b)(3) 112 occasions, the licensee received a firearm and failed to record any acquisition information into the Acquisition and Disposition (A&D) record. On (b)(3) 112 occasions, the licensee received and transferred a firearm and failed to record any acquisition or disposition information into the A&D record.

Licensee's response – Mr. Lee acknowledged the violations and stated that violations occurred because he mishandling the transition to a computer record A&D record from a bound book record A&D record.

Corrective action – The licensee recorded complete and accurate information into the A&D record for all discrepancies identified during the inspection. Licensee will record complete and accurate entries in the A&D record within the prescribed timeframe.

Refer to **Worksheet 1** and **Exhibit 1**.

X	(b)(6)	5/24/2018
Industry Operations Investigator Signed by: (b)(6)		

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Index of Worksheets and Exhibits

Worksheets Workbook

Exhibit 1 – HGS Recreated A&D Record

Exhibit 2 – Onsite Inventory

Exhibit 3 – Theft/Loss Report 07/31/12 Public Law 55-126 Stat 552

Exhibit 4 – VCAB FFL History Report

Exhibit 5 – Acknowledgement of Regulations



U.S. Department of Justice

Bureau of Alcohol, Tobacco,
Firearms and Explosives
1201 NE Lloyd Blvd, Suite 720
Portland, OR 97232

www.atf.gov

787040 (b)(6)
5370

June 1, 2018

WARNING LETTER

HGS LLC.
Attn: Eugene Lee, Member/Responsible Person
PO Box 13103
Aiea, HI 96701

Re: Federal Firearms License Number: 9-99-003-01-0A-00941

Dear Mr. Lee:

As a result of a recent compliance inspection conducted by the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) at your firearms business located at 2850 Kaihikapu St, Honolulu, HI, 96819, on April 28, 2018 through May 23, 2018, you were cited for violations of 27 Code of Federal Regulations, Part 478. The violations were discussed with you during the inspection. A copy of the Report of Violations, ATF Form 5030.5, issued at the time of the inspection is enclosed.

All violations were fully explained to you by ATF Industry Operations Investigator (b)(6). You indicated that you understood the requirements of the firearms laws and regulations as a licensee. You further indicated that corrective actions would be taken to eliminate future violations.

The records you are required to maintain and the business operations you conduct are important to law enforcement in our continuing efforts to reduce violent crime and protect the public. It is essential that you comply with all Federal laws and regulations that govern your firearms business. ATF appreciates the efforts you and other industry members make in this area, and we look forward to continuing to work with you in that regard.

HGS LLC
9-99-003-01-0A-00941

You are reminded that retention of your Federal firearms license is conditional upon compliance with Federal laws and regulations. Because the violations cited in this most recent inspection were fully explained to you and you stated you understood your compliance responsibilities as a licensee, any future violations, either repeat or otherwise, could be viewed as willful and may result in the revocation of your license. Please ensure that future compliance is achieved.

Should you have any questions regarding this matter, please contact Industry Operations Investigator (b)(6).

Sincerely,

(b)(6)
Area Supervisor

cc: Federal Firearms Licensing Center
Portland Area Office

Attachment

HGS LLC
9-99-003-01-0A-00941