

Assignment and Report

1. OPERATING NAME AND ADDRESS (INCLUDE ZIP CODE AND COUNTY) Damage Factory LLC 6806 South Dallas Way Greenwood Village, CO 80112, Arapahoe		2. U.I. NUMBER (ORG. SEG. CODE, ASSIGNMENT NO., P.P.C.) 788070-2018-0039-B1B		
		3. PERMIT/LICENSE NUMBER 584005070K05862	4a. TARGET DATE 12/29/2017	4b. TARGET HOURS 40
		5. REQUESTED BY (SIGNATURE, TITLE AND DATE)		
6. ATF OFFICER(S) ASSIGNED (b)(6) - Lead Investigator (b)(6) - Assigned Investigator (b)(6) - Assigned Investigator				
7. ASSIGNED BY (SIGNATURE, TITLE AND DATE) (b)(6), Area Supervisor, 10/02/2017				
8. PURPOSE/SPECIAL INSTRUCTIONS RECALL- MFR DE: (07) Damage Factory LLC. A compliance inspection ending on September 29, 2016 resulted in violations cited and a ROV was issued. A warning letter was sent on October 21, 2016. Conduct a Disposition Emphasis (DE) recall compliance inspection. 100% inventory verification and 12 months ATF Forms 4473 review is required.				
9. INSPECTION RESULTS <input type="checkbox"/> CHECK IF NO VIOLATIONS, ADJUSTMENTS, ETC				
NO. OF VIOLATIONS	15	NO. OF REFERRALS		10. TRAVEL EXPENSES (OPTIONAL)
NO. OF TECS CHECKS	14	NO. OF TECS HITS		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: 01/09/2018 Viols WC with WL and Recall				
12. TIME ACCOUNTING DATA				
ATF OFFICER'S NAME (MONTH, YEAR, HOURS) (b)(6)				
OCT 2017		38.00		
NOV 2017		49.00		
DEC 2017		52.00		
JAN 2018		2.00		
ATF OFFICER'S SUBTOTAL		141.00		ATF OFFICER'S SIGNATURE
ATF OFFICER'S NAME (MONTH, YEAR, HOURS) (b)(6)				
OCT 2017		17.00		
ATF OFFICER'S SUBTOTAL		17.00		ATF OFFICER'S SIGNATURE

Assignment and Report

1. OPERATING NAME AND ADDRESS (INCLUDE ZIP CODE AND COUNTY) Damage Factory LLC 6806 South Dallas Way Greenwood Village, CO 80112, Arapahoe	2. U.I. NUMBER (ORG. SEG. CODE, ASSIGNMENT NO., P.P.C.) 788070-2018-0039-B1B		
	3. PERMIT/LICENSE NUMBER 584005070K05862	4a. TARGET DATE 12/29/2017	4b. TARGET HOURS 40
	5. REQUESTED BY (SIGNATURE, TITLE AND DATE)		

12. TIME ACCOUNTING DATA	
ATF OFFICER'S NAME (MONTH, YEAR, HOURS) (b)(6)	
OCT 2017 8.00	
ATF OFFICER'S SUBTOTAL 8.00	ATF OFFICER'S SIGNATURE
TOTAL HOURS 166.00	

13. REVIEW AND ROUTING	
REVIEW COMMENTS AND RECOMMENDATION	
Per ATF O 5370.1C; (b)(7)(E) merits an AS warning conference as the minimum AA. Additionally, the FFL had several repeat violations from the last inspection completed in 2016. An AS warning conference is recommended.	
Viols WC with WL and Recall	
<input checked="" type="checkbox"/> REVIEWED <input checked="" type="checkbox"/> CONCUR <input type="checkbox"/> SEE COMMENTS <input checked="" type="checkbox"/> FINAL DISPOSITION	
SIGNATURE AND TITLE (b)(6) - Area Supervisor	REVIEW DATE 01/10/2018

REVIEW COMMENTS AND RECOMMENDATION	
A warning conference is authorized. A recall inspection will be conducted.	
Viols WC with WL and Recall	
<input checked="" type="checkbox"/> REVIEWED <input checked="" type="checkbox"/> CONCUR <input checked="" type="checkbox"/> SEE COMMENTS <input type="checkbox"/> FINAL DISPOSITION	
SIGNATURE AND TITLE (b)(6) - Area Supervisor	REVIEW DATE 01/10/2018

ROUTING SEQUENCE AND DATE	
<input type="checkbox"/> 1. _____	CONTROL FILE POSTED DATE _____
<input type="checkbox"/> 2. _____	
<input type="checkbox"/> 3. _____	
<input type="checkbox"/> 4. _____	

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 Damage Factory LLC	Street Address 6806 South Dallas Way	City Greenwood Village	State CO	Zip Code 80112-	County Arapahoe	Page 1 of 7 Pages
License/Permit/Registry Number (If any) 584005070K05862	Expiration Date 10/1/2020	Date(s) or Period of Inspection 10/24/2016 through 10/24/2017				

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:

Failure to obtain and/or furnish all information required on each ATF Form 4473 as indicated by the headings on the form and the instructions on or pertaining to it on (b)(3) forms. The licensee failed to ensure that the transferee provided a response to 11a, or the licensee transferred a firearm when the transferor failed to answer if they were the actual purchaser of the firearm.

Citation: 27 CFR 478.21(a)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

For all future transfers, the licensee shall complete the Form 4473 as required by the headings on the form and the instructions on or pertaining to the form.

Number: 2

Nature of Violation:

Failure to ensure that ATF Form 4473, Section A was accurately completed by the transferee prior to the transfer of a firearm on (b)(3) forms. Specifically, the licensee transferred a handgun when a transferee recorded an out of state residence in (b)(3) instance. The licensee failed to ensure the transferee signed and dated the form in items 14 and 15 on (b)(3)-1 forms.

Citation: 27 CFR 478.124(c)(1)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

For all future transfers, the licensee shall require a transferee to provide all required information in Section A of ATF Form 4473 before an over the counter firearms transaction takes place.

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License/Permit/Registry Number (If any) 584005070K05862	Expiration Date 10/1/2020	Date(s) or Period of Inspection 10/24/2016 through 10/24/2017				

Inspection Results

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

Number: 3

Nature of Violation:

Failure to fully document a government issued identification document prior to the transfer of a firearm on ATF Forms 4473 on (b)(3)-(1) forms. Specifically, the licensee failed to record the expiration date of the government issued identification document in Section B item 18a on (b)(3) form. The licensee failed to record supplemental government issued documentation to establish the transferee's current residence in item 20b on (b)(3) form and 18b on (b)(3) forms.

Citation: 27 CFR 478.124(c)(3)(i)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

The licensee was advised to review ATF Ruling 2001-5 on Identification of Transferee. For all future transfers, the licensee shall completed the Form 4473 with information from the transferee's identification documents before making a firearms transfer.

Number: 4

Nature of Violation:

Failure to record NICS information on ATF Form 4473. The licensee failed to record the date, transaction number, and NICS response in Section B, items 19 a through c on (b)(3) form.

Citation: 27 CFR 478.124(c)(3)(iv)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

For all future transfers, the licensee shall complete the form with all required information regarding the CBI InstaCheck.

Number: 5

Nature of Violation:

Failure to accurately record information in Section D of ATF Form 4473 on (b)(3) form. The licensee failed to record firearm information, items 24 through 28 on (b)(3) form.

Citation: 27 CFR 478.124(c)(4)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

The licensee will ensure all firearm information has been included on the form before making an over the counter transaction.

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License/Permit/Registry Number <i>(If any)</i> 584005070K05862	Expiration Date 10/1/2020	Date(s) or Period of Inspection 10/24/2016 through 10/24/2017				

Inspection Results

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

Number: 6

Nature of Violation:

Failure to complete ATF Form 4473, Section D on (b)(3) forms. Specifically, the licensee failed to sign the form in item 34, the transferor's signature on the 2012 version of (b)(3) forms, and item 36, the date transferred on the 2012 version of (b)(3) forms. The licensee failed to sign the form in item 35, the transferor's signature on the 2016 version of (b)(3) forms, and the licensee failed to date the form in item 37 the date transferred, on the 2016 version of (b)(3) forms.

Citation: 27 CFR 478.124(c)(5)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken: For all future transfers, the licensee shall sign and date ATF Form 4473 prior to transferring a firearm.

(If not corrected immediately)

Number: 7

Nature of Violation:

Failure to submit a report of multiple sales or other dispositions of pistols and revolvers on (b)(3) - 11 occasions involving (b)(3) firearms.

Citation: 27 CFR 478.126(a)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken: The licensee shall, for all future sales of two or more handguns within five business days, submit the ATF Form 3310.4 by the close of the business day on which the transfer occurs. Investigator (b)(6) verified at the closing conference that all unreported multiple sales had been submitted.

(If not corrected immediately)

Report of Violations

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Name of Proprietor Damage Factory LLC	Street Address 6806 South Dallas Way	City Greenwood Village	State CO	Zip Code 80112-	County Arapahoe	Page 4 of 7 Pages
License/Permit/Registry Number (If any) 584005070K05862	Expiration Date 10/1/2020	Date(s) or Period of Inspection 10/24/2016 through 10/24/2017				

Inspection Results

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

Number: 8

Nature of Violation:

Failure to enter the acquisition of firearms into the licensee's acquisition record in (b)(3) instances. Specifically, the licensee failed to enter the acquisition of firearms it manufactured into complete firearms in (b)(3) instances. The licensee failed to record the re-acquisition of (b)(3) firearms found in inventory that were recorded as dispositions.

Citation: 27 CFR 478.123(a)

Date Corrections to be Made: 12/20/2017
(If not corrected immediately)

Corrective Action to be Taken: The licensee shall accurately record the acquisition and disposition of all firearms as prescribed by the Federal regulations and ATF Rulings. The licensee was instructed to correct this violation.
(If not corrected immediately)

Number: 9

Nature of Violation:

Failure to enter the disposition of firearms in the licensee's disposition record in (b)(3) - 112 Pub instances. Specifically, the licensee failed to enter the disposition of firearms it manufactured into complete firearms in (b)(3) instances. The licensee failed to record the disposition (b)(3) - 112 firearm transferred to a licensee. The licensee recorded a duplicate entry for a firearm transferred to a licensee in (b)(3) instance. The licensee was missing (b)(3) - 1 firearms which resulted in a Theft/Loss Report.

Citation: 27 CFR 478.123(b)

Date Corrections to be Made: 12/20/2017
(If not corrected immediately)

Corrective Action to be Taken: The licensee shall accurately record the acquisition and disposition of all firearms as prescribed by the Federal regulations and ATF Rulings. The licensee was instructed to correct this violation.
(If not corrected immediately)

Report of Violations

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License/Permit/Registry Number (If any) 584005070K05862	Expiration Date 10/1/2020	Date(s) or Period of Inspection 10/24/2016 through 10/24/2017				

Inspection Results

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

Number: 10

Nature of Violation:

Failure to enter the disposition of firearms in the licensee's disposition record in (b)(3) - 112 P instances. Specifically, the license failed to record the disposition of firearms transferred to non-licensee's in (b)(3) instances. The licensee recorded duplicate entries for a firearms transferred to a non-licensees in (b)(3) - 112 P instances.

Citation: 27 CFR 478.123(d)

Date Corrections to be Made: 12/20/2017

(If not corrected immediately)

Corrective Action to be Taken: The licensee shall accurately record the acquisition and disposition of all firearms as prescribed by the Federal regulations and ATF Rulings. The licensee was instructed to correct this violation.

(If not corrected immediately)

Number: 11

Nature of Violation:

Failure to comply with the federal marking requirements. The licensee failed to identify manufactured firearms with a serial number in (b)(3) instances.

Citation: 27 CFR 478.92(a)(1)(i)

Date Corrections to be Made: 12/20/2017

(If not corrected immediately)

Corrective Action to be Taken: Investigator (b)(6) discussed the regulation with the licensee and instructed them to mark the manufactured firearms. Investigator (b)(6) confirmed that the licensee accurately marked the manufactured firearms on December 20, 2017.

(If not corrected immediately)

Number: 12

Nature of Violation:

Failure to comply with the federal marking requirements. The licensee failed to identify manufactured firearms with a model in (b)(3) instances.

Date Corrections to be Made: 12/20/2017

(If not corrected immediately)

Corrective Action to be Taken: Investigator (b)(6) discussed the regulation with the licensee and instructed them to mark the manufactured firearms. Investigator (b)(6) confirmed that the licensee accurately marked the manufactured firearms on December 20, 2017.

(If not corrected immediately)

Report of Violations

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License/Permit/Registry Number <i>(If any)</i> 584005070K05862	Expiration Date 10/1/2020	Date(s) or Period of Inspection 10/24/2016 through 10/24/2017				

Inspection Results

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

Citation: 27 CFR 478.92(a)(1)(ii)(A)

Number: 13

Nature of Violation:

Failure to comply with the federal marking requirements. The licensee failed to identify manufactured firearms with the caliber or gauge in (b)(3) instances.

Date Corrections to be Made: 12/20/2017

(If not corrected immediately)

Corrective Action to be Taken: Investigator (b)(6) discussed the regulation with the licensee and instructed them to mark the manufactured firearms. Investigator (b)(6) confirmed that the licensee accurately marked the manufactured firearms on December 20, 2017.

Citation: 27 CFR 478.92(a)(1)(ii)(B)

Number: 14

Nature of Violation:

Failure to comply with the federal marking requirements. The licensee failed to identify manufactured firearms with the name of the licensee (or recognizable abbreviation) on (b)(3) manufactured firearms.

Date Corrections to be Made: 12/20/2017

(If not corrected immediately)

Corrective Action to be Taken: Investigator (b)(6) discussed the regulation with the licensee and instructed them to mark the manufactured firearms. Investigator (b)(6) confirmed that the licensee accurately marked the manufactured firearms on December 20, 2017.

Citation: 27 CFR 478.92(a)(1)(ii)(C)

Report of Violations

Instructions

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License/Permit/Registry Number (If any) 584005070K05862	Expiration Date 10/1/2020	Date(s) or Period of Inspection 10/24/2016 through 10/24/2017				

Inspection Results

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

Number: 15

Nature of Violation:

Failure to comply with the federal marking requirements. The licensee failed to identify manufactured firearms with the city and state in (b)(3) instances.

Citation: 27 CFR 478.92(a)(1)(ii)(D)

Date Corrections to be Made: 12/20/2017

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

Investigator (b)(6) discussed the regulation with the licensee and instructed (b)(6) to mark the manufactured firearms. Investigator (b)(6) confirmed that the licensee accurately marked the manufactured firearms on December 20, 2017.

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

Date 12/20/2017

(b)(6)

Date 12.2017

FIREARMS INSPECTION REPORT

Name: Damage Factory LLC
Trade Name:

UI#: 788070-2018-0039-B1B
FFL#: 5-84-005-07-0K-05862

Address: 6806 South Dallas Way
Greenwood Village, CO 80112

1 - Introduction

Inspection Profile:

On October 24, 2017, Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) Industry Operations Investigators (b)(6) and (b)(6) initiated the onsite portion of a Disposition Emphasis (DE) Recall compliance inspection of Damage Factory LLC, located at 6806 S. Dallas Way, Greenwood Village, Colorado. The inspection covered the period of October 24, 2016 through October 24, 2017. The purpose of the inspection was to examine the licensee's conduct of business and verify compliance with Federal Firearm's Laws and Regulations. Investigator (b)(6) interviewed Mike Estes (b)(6) - (b)(6) and Kenneth Ong (b)(6), members and responsible persons. Advanced notification of the inspection was not provided. The onsite end date was December 20, 2017.

Business Profile:

Damage Factory LLC has been licensed as a Type 07 – Manufacturer of Firearms since 2014. (b)(3) - 26 USC 6103

ms. Additionally, the licensee sells new and used firearms to the general public. Damage Factory LLC utilizes a website for advertising and sales of firearms and accessories (www.damagefactory.com). The licensee does not attend guns shows. Damage Factory provides FFL/private party transfers and repair services for their manufactured firearms.

Damage Factory LLC operates from a storefront location in a commercial area of Greenwood Village, CO. During the inspection period, the license acquired approximately (b)(4) firearms and disposed of approximately (b)(4) firearms. The licensee's inventory consists of mostly long guns and new firearms. Used firearms are acquired from trade-in's and consignments and make up a small portion of their inventory.

Investigator (b)(6) deemed the Type 07 license appropriate for the licensee's business operations. The licensee's business operations do not require any additional ATF licenses/permits. The licensee does not utilize off site storage.

Ownership and Control:

FIREARMS INSPECTION REPORT

Name: Damage Factory LLC
Trade Name:

UI#: 788070-2018-0039-B1B
FFL#: 5-84-005-07-0K-05862

Damage Factory LLC is a limited liability company in good standing with the Colorado Secretary of State. The licensee is in compliance with state and local laws and possesses a current state sales tax permit and city business license. Kenneth Ong, Michael Estes, and (b)(6) are listed as members and responsible persons on the license. The licensee reports (b)(6) is no longer a responsible person or member. Investigator (b)(6) instructed the licensee to contact the Federal Firearms Licensing Center (FFLC) to correct this matter. Investigator (b)(6) conducted a criminal history and NForce checks on the responsible persons and no prohibiting circumstances were found.

There have been no unreported changes in control or business structure. There were no additional responsible persons added to the license. Hidden ownership is not suspected.

Variance:

The licensee does not hold a variance and made no requests at the time of this inspection.

2 - Recommendation

Warning Conference with Warning Letter and Recall Inspection.

3 - Inspection History

The licensee was subject to DE compliance inspection ending on September 29, 2016. The inspection resulted in a Warning Letter and Recall inspection.

Date of Inspection:	September 6, 2016 through September 29, 2016
Type of Inspection:	Disposition Emphasis (DE) Compliance Inspection
UI#:	788070-2016-0241-B1B
Inspection Results:	Violations, Warning Letter and Recall Inspection
Cited Violations:	27 CFR 478.92(a)(1) - Failure to properly mark each firearm manufactured by the licensee in (b)(6) instances. The licensee has failed to mark each firearm that has been manufactured as required by the regulations with its business name, city and state. 27 CFR 478.123(b) - Failure to record the disposition of each individual firearm to another licensee in the Acquisition and Disposition Record in (b)(6) instances. 27 CFR 478.123(d) - Failure to record the disposition of each individual firearm to a non-licensee in the Acquisition and Disposition Record in (b)(6) instances.

FIREARMS INSPECTION REPORT

Name: Damage Factory LLC
Trade Name:

UI#: 788070-2018-0039-B1B
FFL#: 5-84-005-07-0K-05862

27 CFR 478.21(a) - Failure to obtain and/or furnish all information required on each ATF Form 4473 as indicated by the headings on the form and the instructions on or pertaining to it on (b)(3)-(12) ATF Forms 4473. The licensee failed to ensure that the transferee provided a response to Item 11a, or that the transferee failed to provide a response that would allow the firearm to be transferred.

27 CFR 478.124(c)(1) - Failure to obtain a properly completed ATF Form 4473, Section A, prior to making an over-the-counter transfer of a firearm to a non-licensee, who is a resident of the State in which the licensee's premises is located on (b)(3) forms. The license failed to ensure that the transferee completed item 1 or 2 by providing a complete and accurate name and/or address on the form.

27 CFR 478.124(c)(3)(i) - Failure to document complete information from government issued identification used to identify transferee on (b)(3) forms. The licensee failed to obtain supplemental government issued documentation to verify the transferee's residential address and document this on Item 20b on (b)(3) forms.

27 CFR 478.124(c)(4) - Failure to correctly identify the firearm to be transferred by listing the manufacturer, model, serial number, type and caliber or gauge of the firearm in Items 26-30 on (b)(3) ATF Forms 4473. The licensee failed to complete an attachment with the required information (Items 26-30) for any firearms over the (b)(3) allowed for on the form.

27 CFR 478.124(c)(5) - Failure to sign and/or date (Item 34 and/or 36) the ATF Form 4473 when the licensee does not know or have reasonable cause to believe that the transferee is disqualified by law from receiving the firearm on (b)(3) forms.

27 CFR 478.126a - Failure of the licensee to prepare and submit a report of multiple sales or other disposition (ATF Form 3310.4) whenever the licensee sells or otherwise disposes of, two or more pistols, or revolvers, or any combination of pistols or revolvers totaling two or more to an unlicensed person at one time or during any five consecutive business days on (b)(3) forms involving (b)(3) firearms.

Date of Inspection: September 4, 2015
Type of Inspection: Qualification Inspection
UI#: 788070-2014-0294-B1B
Inspection Results: Application approved.
Cited Violations: None

FIREARMS INSPECTION REPORT

Name: Damage Factory LLC
Trade Name:

UI#: 788070-2018-0039-B1B
FFL#: 5-84-005-07-0K-05862

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

On October 24, 2017, Investigators (b)(6) and (b)(6) conducted a full inventory of all firearms present at the business premise. There were 326 firearms found in inventory. The licensee's A&D record revealed (b)(3) - 112 P open dispositions. A Theft/Loss Report involving (b)(3) - 112 P firearms was submitted as a result of this inspection (b)(3) - 112 Public Law 55 125 Stat 552

The licensee maintains an electronic bound book. A review of the licensee's A&D record revealed errors and omissions. ATF Ruling 2016-3 allows for the consolidation of manufacturer records provided certain conditions are met. The licensee failed to enter the disposition of firearms assembled and/or converted to itself and failed to reenter the acquisition of newly manufactured firearms into its' A&D record. The licensee failed to enter the acquisition of firearms into the licensee's acquisition record in (b)(3) - 112 P instances. Specifically, the licensee failed to enter the acquisition of firearms it manufactured into complete firearms in (b)(3) - 112 P instances. The licensee failed to record the reacquisition of (b)(3) - 112 P firearms found in inventory that were recorded as dispositions. The licensee was cited with violating 27 CFR 478.123(a). **See Exhibit 1, Worksheet 1- Inventory and A&D Review, and Report of Violations.**

The licensee failed to enter the disposition of firearms in the licensee's disposition record in nineteen instances. Specifically, the licensee failed to enter the disposition of firearms it manufactured into complete firearms in (b)(3) - 112 P instances. The licensee failed to record the disposition of (b)(3) - 112 P firearm transferred to a licensee. The licensee recorded a duplicate entry for a firearm transferred to a licensee in (b)(3) - 112 P instance. The licensee was missing (b)(3) - 112 P firearms, which resulted in a Theft/Loss Report. The licensee was cited with violating 27 CFR 478.123(b). **See Exhibit 2, Worksheet 1- Inventory and A&D Review, and Report of Violations.**

The licensee failed to enter the disposition of firearms in the licensee's disposition record in (b)(3) - 112 P instances. Specifically, the licensee failed to record the disposition of firearms transferred to non-licensee's in (b)(3) - 112 P instances. The licensee recorded duplicate entries for firearms transferred to a non-licensees in (b)(3) - 112 P instances. The licensee was cited with violating 27 CFR 478.123(d). **See Exhibit 3, Worksheet 1- Inventory and A&D Review, and Report of Violations.**

Investigator (b)(6) reviewed the licensee's A&D records and verified all required information was contained, all information was accurate, and whether entries were timely made. Investigator (b)(6) provided the licensee with ATF Rulings 2016-1 – requirements to keep a computerized bound book and ATF Ruling 2016-3 – Record Keeping Requirements for Manufacturers.

FIREARMS INSPECTION REPORT

Name: Damage Factory LLC
Trade Name:

UI#: 788070-2018-0039-B1B
FFL#: 5-84-005-07-0K-05862

Investigator (b)(6) traced ten firearms through the licensee's records of acquisition and disposition with no discrepancies found.

No obliterated serial numbers or illegal firearms were discovered during the inspection.

The licensee admits they do not have a standard operating procedure for making entries into the bound book. The licensee reports all employees are responsible for the acquisition and disposition of firearms and maintaining the bound book. The licensee reports recording the acquisition and disposition of firearms at the time of manufacture or transaction.

5 - ATF Forms 4473 – NICS & Other Dispositions

On October 26th, 2017, Investigator (b)(6) and Investigator (b)(6) conducted a 100% review of (b)(3) - 112 Public ATF Forms 4473 completed by the licensee during the inspection period. The review of the forms disclosed the following violations:

The licensee failed to complete the forms as indicated by the headings on the form or the instructions pertaining to the form. Specifically, Section A item 11a, the licensee transferred a firearm when the transferor failed to answer if they were the actual purchaser of the firearm on (b)(3) - 112 Public Law forms. The licensee was cited for with violating 27 CFR 478.21(a). **See Exhibit 4, Worksheet 2 – ATF Forms 4473 Review, and Report of Violations.**

The licensee failed to ensure that the transferee accurately completed ATF Form 4473, Section A prior to the transfer of a firearm on (b)(3) - 112 Public Law forms. Specifically, the licensee transferred a handgun when a transferee recorded an out of state residence in (b)(3) - 112 Public Law instance. The licensee failed to ensure the transferee signed and dated the form in items 14 and 15 on (b)(3) - 112 Public Law forms. The licensee was cited with violating 27 CFR 478.124(c)(1). **See Exhibit 5, Worksheet 2 – ATF Forms 4473 Review, and Report of Violations.**

The licensee failed to fully document a government issued identification document prior to the transfer of a firearm on ATF Forms 4473 on (b)(3) - 112 Public Law forms. Specifically, the licensee failed to record the expiration date of the government issued identification document in Section B item 18a on (b)(3) - 112 Public Law form. The licensee failed to record supplemental government issued documentation to establish the transferee's current residence in item 20b on (b)(3) - 112 Public Law form and 18b on (b)(3) - 112 Public Law forms. Specifically, the licensee accepted an out of state government issued identification document without obtaining or recording supplemental government issued identification documents to prove residency. The licensee was cited with violating 27 CFR 478.124(c)(3)(i). **See Exhibit 6, Worksheet 2 – ATF Forms 4473 Review, and Report of Violations.**

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Name: Damage Factory LLC
Trade Name:

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FFL#: 5-84-005-07-0K-05862

The licensee failed to record NICS information on ATF Form 4473. Specifically, the licensee failed to record the date, transaction number, and NICS response in Section B, items 19 a through c on (b)(3)-(11) form. The licensee was cited with 27 CFR 478.124(c)(3)(iv). **See Exhibit 7, Worksheet 2 – ATF Forms 4473 Review, and Report of Violations.**

Failure to accurately record information in Section D of ATF Form 4473 on (b)(3)-(11) form. The licensee failed to record firearm information, items 24 through 28 on (b)(3)-(11) form. The licensee was cited with violating 27 CFR 478.124(c)(4). **See Exhibit 8, Worksheet 2 – ATF Forms 4473 Review, and Report of Violations.**

The licensee failed to complete ATF Form 4473, Section D on (b)(3) forms. Specifically, the licensee failed to sign the form in item 34, the transferor's signature on the 2012 version of (b)(3)-(11) forms, and item 36, the date transferred on the 2012 version of (b)(3)-(11) forms. The licensee failed to sign the form in item 35, the transferor's signature on the 2016 version of (b)(3) forms, and the licensee failed to date the form in item 37, the date transferred, on the 2016 version of (b)(3) forms. The licensee was cited with violating 27 CFR 478.124(c)(5). **See Exhibit 9, Worksheet 2 – ATF Forms 4473 Review, and Report of Violations.**

Investigator (b)(6) compared 200 NICS transaction numbers from the Colorado Bureau of Investigation (CBI) FFL audit log to completed ATF Forms 4473 and found zero discrepancies. Investigator (b)(6) verified transfers to other Federal Firearms Licensees (FFL's) were conducted properly.

The licensee admits they do not have a standard operating procedure for completing ATF Forms 4473. Mike Estes explained the form is completed by the customer at a computer kiosk using an electronic version of the form generated from a computerized software program. The employee completes items 18 through 36, with the exception of the signature blocks. The customer and employee sign a printed version of the form. The computer system assigns a unique transaction number and the information on the form is automatically populated into the bound book. Mike Estes reports numerous problems with their computer system. Additionally, the licensee was not aware that the computer program allowed for omissions on the form.

6 - Multiple Sales

According to Violent Crime Analysis Branch (VCAB), the licensee is associated with (b)(3)-(11) multiple sales involving (b)(3)-(11) firearms. Investigator (b)(6) identified (b)(3)-(11) unreported multiple sales involving (b)(3)-(11) firearms for the past twelve months. The licensee was cited with 27 CFR 478.126a. **See Exhibit 10, Worksheet 2 – ATF Forms 4473 Review, and Report of Violations.** Investigator (b)(6) verified that all unreported multiple sales had been submitted at the time of the closing conference.

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7 - Suspicious/Prohibited Purchasers

The review of the licensee's ATF Forms 4473 completed in the past 12 months did not disclose any suspicious purchasers, prohibited persons, potential traffickers, or straw purchasers. Investigator (b)(6) conducted computerized criminal history checks on the responsible persons and one purchaser. No prohibiting factors were found.

8 - Trace Activity

According to the Violent Crime Analysis Branch (VCAB), Damage Factory LLC has been subject to (b)(3) - 112 trace requests, including (b)(3) - 11 duplicate, within the past twelve months.

As part of a secondary market analysis Investigator (b)(6) queried ten used firearms through the computerized criminal check system, resulting in no hits.

9 - NFA/Importer/Collector/Manufacturer

Damage Factory LLC is not an importer or collector of firearms.

(b)(3) - 26 USC 6103, (b)(6)

Investigator (b)(6) compared the licensee's A&D book to the licensee's Annual Firearms Manufacturing and Exportation Report (AFMER) for 2016. Investigator (b)(6) identified nine manufactured firearms for 2016 that had not been reported on the 2016 AFMER. The licensee corrected this matter by amending and resubmitting the AFMER for 2016.

(b)(3) - 26 USC 6103, (b)(4), (b)(6)

The firearms the licensee manufactured were examined to ensure compliance with the federal marking requirements. (b)(3) - 26 USC 6103, (b)(6)

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required markings. The licensee was cited with the following marking requirement violations:

27 CFR 478.92(a)(1)(i) – Failure to identify manufactured firearms with a serial number in (b)(3) instances.

27 CFR 478.92(a)(1)(ii)(A) - Failure to identify manufactured firearms with a model in (b)(3) instances.

27 CFR 478.92(a)(1)(ii)(B) – Failure to identify manufactured firearms with the caliber or gauge in (b)(3) instances.

27 CFR 478.92(a)(1)(ii)(C) - Failure to identify manufactured firearms with the name of the licensee (or recognizable abbreviation) on (b)(3) manufactured firearms.

27 CFR 478.92(a)(1)(ii)(D) - Failure to identify manufactured firearms with the city and state in (b)(3) instances.

10 - Referrals

No referrals were generated as a result of this inspection.

11 - Other

The licensee was found to be in compliance with the Youth Handgun Safety Act and secure gun storage and safety devices available.

12 - Closing Actions

On December 20, 2017, Investigator (b)(6) conducted a closing conference with Mike Estes and Kenneth Ong. Investigator (b)(6) reviewed and discussed the Report of Violations and the Acknowledgement of Federal Firearms Regulations with both responsible persons. The Acknowledgement and Report of Violations was signed and dated by Kenneth Ong (**Exhibit 11**). The licensee was provided a copy of the Open Letter to FFLs in reference to disposition of firearms inventory following surrender, revocation or expiration of license

13 - Violations

1. **27 CFR 478.21(a) REPEAT VIOLATION CITED ON SEPTEMBER 29, 2016**

Nature of violation:

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Name: Damage Factory LLC
Trade Name:

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Failure to obtain and/or furnish all information required on each ATF Form 4473 as indicated by the headings on the form and the instructions on or pertaining to it on (b)(3) forms. The licensee failed to ensure that the transferee provided a response to 11a, or the licensee transferred a firearm when the transferor failed to answer if they were the actual purchaser of the firearm.

Licensee's response:

The licensee admits they do not have a system in place for double-checking the forms. Additionally, the licensee admits they relied on their computerized record keeping system to catch errors. The licensee reports they will implement new standard operating procedures for minimizing errors on the forms.

Corrective action:

For all future transfers, the licensee shall complete ATF Form 4473 as required by the headings on the form and the instructions on or pertaining to the form.

2. **27 CFR 478.124(c)(1) REPEAT VIOLATION CITED ON SEPTEMBER 29, 2016**

Nature of violation:

Failure to ensure that the transferee accurately completed ATF Form 4473, Section A prior to the transfer of a firearm on (b)(3) forms. Specifically, the licensee transferred a handgun when a transferee recorded an out of state residence in (b)(3) instance. The licensee failed to ensure the transferee signed and dated the form in items 14 and 15 on (b)(3) - 112 forms.

Licensee's response:

The licensee admits they do not have a system in place for double-checking the forms. Additionally, the licensee admits they relied on their computerized record keeping system to catch errors. The licensee reports they will implement new standard operating procedures for minimizing errors on the forms.

Corrective action:

For all future transfers, the licensee shall require a transferee to provide all required information in Section A of ATF Form 4473 before an over the counter firearms transaction takes place.

3. **27 CFR 478.124(c)(3)(i) REPEAT VIOLATION CITED ON SEPT 29, 2016**

Nature of violation:

Failure to fully document a government issued identification document prior to the transfer of a firearm on ATF Forms 4473 on (b)(3) - 112 forms. Specifically, the licensee failed to record the expiration date of the government issued identification document in Section B item 18a on (b)(3) form. The licensee failed to record supplemental government

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issued documentation to establish the transferee's current residence in item 20b on (b)(3) - 11 form and 18b on (b)(3) - 11 forms.

Licensee's response:

The licensee reports reviewing supplemental identification but not recording the information on the form. The licensee reports they will implement new standard operating procedures for minimizing errors on the forms.

Corrective action:

The licensee was advised to review ATF Ruling 2001-5 on Identification of Transferee. For all future transfers, the licensee shall complete ATF Form 4473 with information from the transferee's identification documents before making a firearms transfer.

4. **27 CFR 478.124(c)(3)(iv)**

Nature of violation:

Failure to record NICS information on ATF Form 4473. The licensee failed to record the date, transaction number, and NICS response in Section B, items 19 a through c on (b)(3) - 11 form.

Licensee's response:

The licensee admits they do not have a system in place for double-checking the forms. Additionally, the licensee admits they relied on their computerized record keeping system to catch errors. The licensee reports they will implement new standard operating procedures for minimizing errors on the forms.

Corrective action:

For all future transfers, the licensee shall complete the form with all required information regarding the CBI InstaCheck.

5. **27 CFR 478.124(c)(4) REPEAT VIOLATION CITED ON SEPTEMBER 29, 2016**

Nature of violation:

Failure to accurately record information in Section D of ATF Form 4473 on (b)(3) - 11 form. The licensee failed to record firearm information, items 24 through 28 on (b)(3) - 11 form.

Licensee's response:

The licensee admits their computerized record keeping system will sometimes "drop" firearms from the form. The licensee reports they are in the process of replacing that system.

Corrective action:

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The licensee will ensure all firearm information has been included on the form before making an over the counter transaction.

6. **27 CFR 478.124(c)(5) REPEAT VIOLATION CITED ON SEPTEMBER 29, 2016**

Nature of violation:

Failure to complete ATF Form 4473, Section D on 52 forms. Specifically, the licensee failed to sign the form in item 34, the transferor's signature on the 2012 version of (b)(3)-(b)(7) forms, and item 36, the date transferred on the 2012 version of (b)(3)-(b)(7) forms. The licensee failed to sign the form in item 35, the transferor's signature on the 2016 version of (b)(3)-(b)(7) forms, and the licensee failed to date the form in item 37 the date transferred, on the 2016 version of (b)(3)-(b)(7) forms.

Licensee's response:

The licensee admits they do not have a system in place for double-checking the forms. Additionally, the licensee admits they relied on their computerized record keeping system to catch errors. The licensee reports they will implement new standard operating procedures for minimizing errors on the forms.

Corrective action:

For all future transfers, the licensee shall sign and date ATF Form 4473 prior to transferring a firearm.

7. **27 CFR 478.126a REPEAT VIOLATION CITED ON SEPTEMBER 29, 2016**

Nature of violation:

Failure to submit a report of multiple sales or other dispositions of pistols and revolvers on (b)(3)-(b)(7) occasions involving (b)(3)-(b)(7) firearms.

Licensee's response:

The licensee stated their computerized record keeping system automatically generates the multiple sale form. The licensee admits they relied on their computerized record keeping system to accurately generate the multiple sale form. The licensee reports they will implement new standard operating procedures for minimizing errors on the forms.

Corrective action:

The licensee shall, for all future sales of two or more handguns within five business days, submit the ATF Form 3310.4 by the close of the business day on which the transfer occurs. Investigator (b)(6) verified at the closing conference that all unreported multiple sales had been submitted.

8. **27 CFR 478.123(a)**

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Nature of violation:

Failure to enter the acquisition of firearms into the licensee's acquisition record in [REDACTED] instances. Specifically, the licensee failed to enter the acquisition of firearms it manufactured into complete firearms in [REDACTED] instances. The licensee failed to record the re-acquisition of [REDACTED] firearms found in inventory that were recorded as dispositions.

Licensee's response:

The licensee believes some of these errors were a result of glitches in their computerized record keeping system. The licensee reports they are in the process of replacing that system. The licensee admits they were not aware of the requirement to record a second line entry for manufactured firearms. The licensee reports they will establish new standard operating procedures in an effort to minimize future mistakes.

Corrective action:

The licensee shall accurately record the acquisition and disposition of all firearms as prescribed by the Federal regulations and ATF Rulings. The licensee was instructed to correct this violation. As of the closing date, December 20, 2017, the licensee had not corrected this violation, stating their A&D software program does not allow for these types of corrections. The licensee reports they will be transitioning to a new computerized record keeping system.

9. **27 CFR 478.123(b) REPEAT VIOLATION CITED ON SEPTEMBER 29, 2016**

Nature of violation:

Failure to enter the disposition of firearms in the licensee's disposition record in [REDACTED] instances. Specifically, the licensee failed to enter the disposition of firearms it manufactured into complete firearms in [REDACTED] instances. The licensee failed to record the disposition of [REDACTED] firearm transferred to a licensee. The licensee recorded a duplicate entry for a firearm transferred to a licensee in [REDACTED] instance. The licensee was missing [REDACTED] firearms, which resulted in a Theft/Loss Report.

Licensee's response:

The licensee believes some of these errors were a result of glitches in their computerized record keeping system. The licensee reports they are in the process of replacing that system. The licensee admits they were not aware of the requirement to record a second line entry for manufactured firearms. The licensee reports they will establish new standard operating procedures in an effort to minimize future mistakes.

Corrective action:

The licensee shall accurately record the acquisition and disposition of all firearms as prescribed by the Federal regulations and ATF Rulings. The licensee was instructed to correct this violation. As of the closing date, December 20, 2017, the licensee had not corrected this violation, stating their A&D software program does not allow for these

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types of corrections. The licensee reports they will be transitioning to a new computerized record keeping system.

10. **27 CFR 478.123(d) REPEAT VIOLATION CITED ON SEPTEMBER 29, 2016**

Nature of violation:

Failure to enter the disposition of firearms in the licensee's disposition record in (b)(3) - 112 Public instances. Specifically, the license failed to record the disposition of firearms transferred to non-licensee's in (b)(3) - 112 Public instances. The licensee recorded duplicate entries for firearms transferred to non-licensees in (b)(3) - 112 Public instances.

Licensee's response:

The licensee believes some of these errors were a result of glitches in their computerized record keeping system. The licensee reports they are in the process of replacing that system. The licensee admits they were not aware of the requirement to record a second line entry for manufactured firearms. The licensee reports they will establish new standard operating procedures in an effort to minimize future mistakes.

Corrective action:

The licensee shall accurately record the acquisition and disposition of all firearms as prescribed by the Federal regulations and ATF Rulings. The licensee was instructed to correct this violation. As of the closing date, December 20, 2017, the licensee had not corrected this violation, stating their A&D software program does not allow for these types of corrections. The licensee reports they will be transitioning to a new computerized record keeping system.

11. **27 CFR 478.92(a)(1)(i)**

Nature of violation:

Failure to comply with the federal marking requirements. The licensee failed to identify manufactured firearms with a serial number in (b)(3) instances.

Licensee's response:

The licensee reports the marking violations occurred because of "lack of knowledge".

Corrective action:

Investigator (b)(6) discussed the regulation with the licensee and instructed them to mark the manufactured firearms. The licensee acknowledged understanding of the regulatory requirement to mark all manufactured firearms within 7 days of completion. Investigator (b)(6) confirmed that the licensee accurately marked the manufactured firearms on December 20, 2017.

12. **27 CFR 478.92(a)(1)(ii)(A)**

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Name: Damage Factory LLC
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FFL#: 5-84-005-07-0K-05862

Nature of violation:

Failure to comply with the federal marking requirements. The licensee failed to identify manufactured firearms with a model in (b)(3) instances.

Licensee's response:

The licensee reports the marking violations occurred because of "lack of knowledge".

Corrective action:

Investigator (b)(6) discussed the regulation with the licensee and instructed them to mark the manufactured firearms. The licensee acknowledged understanding of the regulatory requirement to mark all manufactured firearms within 7 days of completion. Investigator Todd confirmed that the licensee accurately marked the manufactured firearms on December 20, 2017.

13. **27 CFR 478.92(a)(1)(ii)(B)**

Nature of violation:

Failure to comply with the federal marking requirements. The licensee failed to identify manufactured firearms with the caliber or gauge in (b)(3) instances.

Licensee's response:

The licensee reports the marking violations occurred because of "lack of knowledge".

Corrective action:

Investigator (b)(6) discussed the regulation with the licensee and instructed them to mark the manufactured firearms. The licensee acknowledged understanding of the regulatory requirement to mark all manufactured firearms within 7 days of completion. Investigator (b)(6) confirmed that the licensee accurately marked the manufactured firearms on December 20, 2017.

14. **27 CFR 478.92(a)(1)(ii)(C)**

Nature of violation:

Failure to comply with the federal marking requirements. The licensee failed to identify manufactured firearms with the name of the licensee (or recognizable abbreviation) on (b)(3) manufactured firearms.

Licensee's response:

The licensee reports the marking violations occurred because of "lack of knowledge".

Corrective action:

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Investigator (b)(6) discussed the regulation with the licensee and instructed them to mark the manufactured firearms. The licensee acknowledged understanding of the regulatory requirement to mark all manufactured firearms within 7 days of completion. Investigator Todd confirmed that the licensee accurately marked the manufactured firearms on December 20, 2017.

15. **27 CFR 478.92(a)(1)(ii)(D)**

Nature of violation:

Failure to comply with the federal marking requirements. The licensee failed to identify manufactured firearms with the city and state in (b)(6) instances.

Licensee's response:

The licensee reports the marking violations occurred because of "lack of knowledge".

Corrective action:

Investigator (b)(6) discussed the regulation with the licensee and instructed them to mark the manufactured firearms. The licensee acknowledged understanding of the regulatory requirement to mark all manufactured firearms within 7 days of completion. Investigator (b)(6) confirmed that the licensee accurately marked the manufactured firearms on December 20, 2017.

X

(b)(6)

Industry Operations Investigator

Index of Worksheets and Exhibits

WORKSHEETS:

- Worksheet 1
- Worksheet 2

EXHIBITS:

1. Copies of the A&D book reflecting violations of 27 CFR 478.123(a).
2. Copies of the A&D book reflecting violations of 27 CFR 478, 123(b).
3. Copies of the A&D book reflecting violations of 27 CFR 478, 123(d).
4. Copies of ATF Forms 4473 reflecting violations of 27 CFR 478.21(a).
5. Copies of ATF Forms 4473 reflecting violations of 27 CFR 478.124(c)(1).
6. Copies of ATF Forms 4473 reflecting violations of 27 CFR 478.124(c)(3)(i).
7. Copies of ATF Forms 4473 reflecting violations of 27 CFR 478.124(c)(3)(iv).

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8. Copies of ATF Forms 4473 reflecting violations of 27 CFR 478.124(c)(4).
9. Copies of ATF Forms 4473 reflecting violations of 27 CFR 478.124(c)(5).
10. Copies of ATF Forms 4473 reflecting violations of 27 CFR 478.126a.
11. Acknowledgment of Federal Firearms Regulations dated December 20, 2017.



U.S. Department of Justice

Bureau of Alcohol, Tobacco,
Firearms and Explosives

Denver Field Division

January 12, 2018

www.atf.gov

788070: (b)(6)
5300

Mr. Michael Estes
Damage Factory LLC
6806 South Dallas Way
Greenwood Village, CO 80112

Re: FFL# 5-84-005-07-0K-05862

Mr. Estes:

During a recent inspection at your firearms business covering the period from October 24, 2016 to October 24, 2017 you were cited for violations of Title 27, Code of Federal Regulations, Part 478. The violations were discussed with you or your designated responsible person during the inspection. A copy of the Report of Violations, ATF F 5030.5, issued at the time of the inspection is enclosed.

You should be aware that any willful violations of the Gun Control Act may result in revocation of your Federal firearms license. As a result of the recently cited violations, it is important that we have a meeting with you to discuss the violations found. **The conference will be held on January 30, 2018 at the ATF Denver Division located at 950 17th St, Suite 1800, Denver CO 80202 at 9:00am.** The agenda for the meeting will include a discussion of the reasons for the violations, a review of the legal requirements, and a discussion of steps to be taken by you to ensure future compliance. Although we do not believe it necessary, legal counsel may assist you at your own expense if you so choose. Please bring with you documentation verifying the corrective action you have taken.

The records you are required to maintain and the business operations you conduct are important to law enforcement in our continuing effort 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 to aid in this effort to combat violent crime.

Mr. Michael Estes
Damage Factory LLC

We will conduct a follow-up inspection in the future. Any violations, either repeat or otherwise, could be viewed as willful and may result in the revocation of your license.

Please contact Area Supervisor (b)(6) at (b)(6) to confirm this appointment and to ask any questions you may have regarding this conference. We look forward to meeting with you to resolve these issues.

(b)(6)

Lacie D. Peterson
Area Supervisor Industry Operations

cc: Federal Firearms Licensing Center
Denver VI Field Office



U.S. Department of Justice

Bureau of Alcohol, Tobacco,
Firearms and Explosives

Denver Field Division

February 5, 2018

www.atf.gov

788070: (b)(6)
5300

Mr. Michael Estes
Damage Factory LLC
6806 South Dallas Way
Greenwood Village, CO 80112

Re: FFL# 5-84-005-07-0K-05862

Mr. Estes:

This letter is a follow-up to the warning conference held with you and Kenneth Ong on January 30, 2018. During this conference, the violation(s) cited during the inspection covering the period from October 24, 2016 through October 24, 2017 and the necessary corrective action to prevent the violation(s) from recurring were discussed.

You were given the opportunity to comment on the violation(s) and what specific action you have taken to ensure that the violation(s) will not recur. With respect to the violation(s) cited below, we are providing a summary of your response to each violation.

For the violations of failing to maintain properly executed ATF Forms 4473, specifically 27 CFR 478.21(a), 27 CFR 478.124(c)(1), 27 CFR 478.124(c)(3)(i), 27 CFR 478.124(c)(3)(iv), 27 CFR 478.124(c)(4) and 27 CFR 478.124(c)(5), Kenneth Ong attributed these violations to careless human oversight, that the ATF Forms 4473 were not reviewed for accuracy and that your computerized record keeping system should have stopped transactions if all information was not correct or complete. Mr. Ong also stated that the computerized record keeping system dropped firearms from the form at times.

As a corrective measure, Kenneth Ong stated that you are now using the ATF 4473 e-Form and that Michael Estes is completing a secondary review of ATF Forms 4473 to ensure the forms are complete and correct. Mr. Ong also stated you are in the process of finding a new computerized record keeping program. You were advised that a review of the ATF Form 4473 should be completed prior to the transfer of the firearm to avoid violations of the form and were advised of the proper procedure for correcting forms if the errors were discovered after the firearm was transferred.

Regarding the violation of 27 CFR 478.126a for failing to complete and submit ATF Form 3310.4 (Report of Multiple Sale or Other Disposition of Pistols and Revolvers) on (b)(3) occasions involving (b)(3) firearms, Mr. Ong stated that the software was supposed to send a fax automatically to ATF and for some

Mr. Michael Estes
Damage Factory LLC

reason it didn't. As a corrective measure, Mr. Ong stated that you may need to put the multiple firearms sales in its own basket and email them manually. Mr. Ong stated that he intends to develop "SOPs in February" to address recordkeeping procedures as well.

For the violations of 27 CFR 478.123(a), 27 CFR 478.123(b) and 27 CFR 478.123(d) for failing to correctly record all required acquisition and disposition information in your manufacturer acquisition and disposition (A&D) records on ^{(b)(3)} total instances which includes ^{(b)(3)} missing firearms Kenneth Ong stated he "did not even know" the requirements for the manufacture of complete firearms from receivers per ATF Ruling 2016-3 (Consolidation Records Required for Manufacturers). Mr. Estes further stated that the software program was not double checked for accuracy and multiple people were making entries in the record. Furthermore, the record keeping system will not allow edits to firearm serial numbers, therefore causing duplicate entries in the record. As a corrective measure, Mr. Estes stated that acquisitions are entered in by the next business day or "overnight" and dispositions are entered "right away." Furthermore, Mr. Estes is the only person making entries in the record and the computerized A&D record was discontinued and you are using a manual record.

Regarding the violations of 27 CFR 478.92(a)(1)(i); 27 CFR 478.92(a)(i)(ii)(A); 27 CFR 478.92(a)(1)(ii)(B) and 27 CFR 478.92(a)(1)(ii)(C) Mr. Ong stated he did not fully understand the marking requirements and thought that the addition of the licensee's name, city and state only applied to the manufacture of NFA firearms, not GCA firearms. As a corrective measure, Mr. Ong stated that the marking requirements are fully understood and firearms are marked correctly now.

The violation(s) for which you were cited could adversely impact law enforcement's ability to reduce violent crime and protect the public. You are reminded that future violations, repeat or otherwise, could be viewed as willful and may result in the revocation of your license. You may anticipate further inspections to ensure your compliance.

Please contact us if you have any questions concerning your responsibilities as a licensee or if you require further clarification about particular requirements of Federal firearms laws.

(b)(6)

(b)(6)

Area Supervisor Industry Operations

cc: Federal Firearms Licensing Center
Denver VI Field Office