

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.) 788070-2016-0241-B1B		
		3. PERMIT/LICENSE NUMBER 584005077K05862	4a. TARGET DATE 9/15/2016	4b. TARGET HOURS 40
		5. REQUESTED BY (SIGNATURE, TITLE AND DATE)		
6. ATF OFFICER(S) ASSIGNED (b)(6) - Assigned Investigator (b)(6) - Lead Investigator (b)(6) - Assigned Investigator				
7. ASSIGNED BY (SIGNATURE, TITLE AND DATE) (b)(6), Area Supervisor, 05/10/2016				
8. PURPOSE/SPECIAL INSTRUCTIONS DE. Manufacturer Program. 100% inventory verification and 12 months ATF Forms 4473 review is required. A referral was received from Denver CGIC regarding suspicious and possible illegal activity as well as GCA a (b)(3) - 26 USC 6103 violations. See intelligence report for details.				
9. INSPECTION RESULTS <input type="checkbox"/> CHECK IF NO VIOLATIONS, ADJUSTMENTS, ETC				
NO. OF VIOLATIONS		9	NO. OF REFERRALS	1
NO. OF TECS CHECKS		3	NO. OF TECS HITS	
NO. OF TAX ADJUSTMENTS		\$ VALUE OF TAX INCREASES		2111 - PER DIEM
		\$ VALUE OF TAX DECREASES		2112 - P.O.A.
NO. OF ASSESSMENTS		\$ VALUE OF ASSESSMENTS		2113 - COMM. AIR
NO. OF CLAIMS		\$ VALUE OF CLAIMS		2114 - RENTAL CAR
NO. OF TAX PERIODS		\$ VALUE OF TAXES VERIFIED		2115 - GPV EXPENSES
				2116 - MISC.
				TOTAL \$ FOR INSP.
11. ATF OFFICER'S RECOMMENDATION Submitted by (b)(6) - Industry Operations Investigator Submitted on: 10/20/2016 Viols WC with WL and Recall				
12. TIME ACCOUNTING DATA				
ATF OFFICER'S NAME (MONTH, YEAR, HOURS)		(b)(6)		
SEP 2016		9.00		
ATF OFFICER'S SUBTOTAL		9.00		
ATF OFFICER'S SIGNATURE				
ATF OFFICER'S NAME (MONTH, YEAR, HOURS)		(b)(6)		
SEP 2016		51.50		
OCT 2016		3.00		
ATF OFFICER'S SUBTOTAL		54.50		
ATF OFFICER'S SIGNATURE				
ATF OFFICER'S NAME (MONTH, YEAR, HOURS)		(b)(6)		
SEP 2016		7.00		
ATF OFFICER'S SUBTOTAL		7.00		
ATF OFFICER'S SIGNATURE				
TOTAL HOURS		70.50		

Assignment and Report

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13. REVIEW AND ROUTING

REVIEW COMMENTS AND RECOMMENDATION

The licensee was cited for two violations that warrant any for of AA per ATF O 5370.1B. The licensee failed to properly mark firearms it further manufactured with its name, city and state on ^{(b)(3)} occasions and the licensee failed to report multiple handgun sales on ^{(b)(3)} occasions. Both of these violations warrant a warning conference as the minimum AA. However, the firearms that were further manufactured by the FFL were properly marked by the original manufacturer. Additionally, the failed multiple sales were attributed to the misidentification of the type of handgun in its system - therefore notification was not made for certain multiple sales. The licensee submitted the multiple sales immediately. This is a relatively high volume FFL (disposing approx ^{(b)(4)} firearms for the inspection period) that had no traces for the inspection period. A warning letter with recall is recommended.

Viols WL ONLY and Recall Inspection

☒ REVIEWED ☐ CONCUR ☒ SEE COMMENTS ☐ FINAL DISPOSITION

SIGNATURE AND TITLE (b)(6) - Area Supervisor	REVIEW DATE 10/20/2016
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REVIEW COMMENTS AND RECOMMENDATION

Issuing a warning letter is lieu of holding a warning conference as an alternate recommendation is authorized. A recall inspection will be conducted. This is the licensee's first inspection since the license was issued in 2014.

The licensee failed to complete ^{(b)(3)} multiple sales reports involving ^{(b)(3)} firearms rising to a warning conference level. In addition, the licensee failed to properly mark ^{(b)(3)} firearms with their manufacturer markings (Name, City and State.) This also rises to a warning conference level.

During this inspection period, the licensee has acquired 1347 firearms and disposed of 1207 firearms. For this inspection, the licensee had ^{(b)(3)} discrepancies in the A & D Record to include ^{(b)(3)} missing firearms after reconciliation. This equals a 0.0% error rate for the acquisitions and a 1.2% error rate for dispositions. This rises to a report of violation only for the current inspection.

Further, other violations were cited. Concerning ATF Forms 4473 errors, the licensee failed to ensure the forms were properly completed in Sections A, B and D. For the certification questions in Section A, the errors equaled a 0.7% error rate, equaling a report of violations only. Further, the licensee failed to record valid and complete identification in ^{(b)(3)} instances equaling a 2.2% error rate.

A warning conference is not necessary to again explain how to complete multiple sales given the licensee knows of the requirement and has complied with other multiple sales reporting. Further, a warning conference is not necessary to again explain the violations, the corrective actions and how to properly mark firearms. This was discussed during the closing conference for the ^{(b)(3)} firearms not marked properly.

The licensee is aware of the obligations. A warning letter will suffice to document the licensee may want to consider additional internal controls to prevent repeated violations to include properly marking firearms and multiple sales violations. The warning letter will also document the RP needs to verify all ATF Forms 4473 are always properly completed.

Note, a recall inspection will be conducted to ensure the licensee complies in the future.

Viols WL ONLY and Recall Inspection

☐ REVIEWED ☐ CONCUR ☒ SEE COMMENTS ☒ FINAL DISPOSITION

SIGNATURE AND TITLE PWBROWN - Director, Industry Operations (b)(6)	REVIEW DATE 10/20/2016
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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 Damage Factory LLC	Street Address 6806 South Dallas Way	City Greenwood Village	State CO	Zip Code 80112-	County Arapahoe	Page 1 of 6 Pages
License/Permit/Registry Number (If any) 584005077K05862		Expiration Date 10/1/2017	Date(s) or Period of Inspection 09/06/2016 through 09/29/2016			

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 properly mark each firearm manufactured by the licensee in (b)(3) instances. The licensee has failed to mark each firearm that has been manufactured as required by the regulations with its business name and city and state.

Citation: 27 CFR 478.92(a)(1)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

The licensee will adhere to ATF regulations moving forward for marking firearms upon manufacture.

Number: 2

Nature of Violation:

Failure to record the disposition of each individual firearm to another licensee in the Acquisition and Disposition Record in (b)(3) instances.

Citation: 27 CFR 478.123(b)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

The licensee immediately corrected the disposition record for each of the (b)(3) firearms that were determined to have no disposition in error at the time of the inspection. The licensee has conducted training with his employees on this issue to ensure that this error does not occur again

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 2 of 6 Pages
License/Permit/Registry Number (If any) 584005077K05862	Expiration Date 10/1/2017	Date(s) or Period of Inspection 09/06/2016 through 09/29/2016				

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 record the disposition of each individual firearm to nonlicensee in the Acquisition and Disposition Record in (b)(3) instances.

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

The licensee immediately corrected the disposition record for each of the (b)(3) firearms that were determined to have no disposition in error at the time of the inspection. The licensee has also completed ATF Form 3310.11, Federal Firearms Licensee Firearms Inventory Theft/Loss Report, and submitted it to the National Tracing Center. The (b)(3) 112 items submitted on this report have been dispositioned with the ATF Incident Number (b)(3) 112 PUBLIC LAW 55 125 STAT 1. The licensee has conducted training with his employees on this issue to ensure that this error does not occur again.

Citation: 27 CFR 478.123(d)

Report of Violations

Instructions

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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 3 of 6 Pages
License/Permit/Registry Number (If any) 584005077K05862		Expiration Date 10/1/2017		Date(s) or Period of Inspection 09/06/2016 through 09/29/2016		

Inspection Results

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

Number: 4

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) 112} ATF Forms 4473 **(b)(3) 112 Public Law 55 125 STAT 552 (b)(6)**. 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.

Citation: 27 CFR 478.21(a)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

The licensee will review ATF Forms 4473 a second time prior to filing to ensure that this error does not occur again, as well as conduct additional training with new employees to ensure their understanding of this issue.

Number: 5

Nature of Violation:

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) 112} 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 **(b)(3) 112 Public Law 55 125 STAT 552 (b)(6)**.

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)

The licensee will review ATF Forms 4473 a second time prior to filing to ensure that this error does not occur again, as well as conduct additional training with new employees to ensure their understanding of this issue.

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 4 of 6 Pages
License/Permit/Registry Number (If any) 584005077K05862	Expiration Date 10/1/2017	Date(s) or Period of Inspection 09/06/2016 through 09/29/2016				

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 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 of (b)(3) forms (b)(3) 112 Public Law 55 125 STAT 552 (b)(6)

(b)(3) 112 Public Law 55 125 STAT 552 (b)(6)

(b)(3) 112 Public Law 55 125 STAT 552 (b)(6)

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 will review ATF Forms 4473 a second time prior to filing to ensure that this error does not occur again, as well as conduct additional training with new employees to ensure their understanding of this issue.

Number: 7

Nature of Violation:

Failure to correctly identify the firearm to be transferred by listing the manufacturer, model, serial number, type and caliber or gauge of the firearm on (b)(3) ATF Forms 4473 (b)(3) 112 Public Law 55 125 STAT 552 (b)(6). The licensee failed to complete an attachment with the required information for any firearms over the five allowed for on the 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 review ATF Forms 4473 a second time prior to filing to ensure that this error does not occur again, as well as conduct additional training with new employees to ensure their understanding of this issue.

Report of Violations

Instructions

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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 5 of 6 Pages
License/Permit/Registry Number (If any) 584005077K05862	Expiration Date 10/1/2017	Date(s) or Period of Inspection 09/06/2016 through 09/29/2016				

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 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 (b)(3) 112 Public Law 55 125 STAT 552 (b)(6) (b)(3) 112 Public Law 55 125 STAT 552 (b)(6).

Citation: 27 CFR 478.124(c)(5)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

The licensee will review ATF Forms 4473 a second time prior to filing to ensure that this error does not occur again, as well as conduct additional training with new employees to ensure their understanding of this issue.

Number: 9

Nature of Violation:

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 (b)(3) 112 Public Law 55 125 STAT 552 (b)(6) (b)(3) 112 Public Law 55 125 STAT 552 (b)(6)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

The licensee will review ATF Forms 4473 a second time prior to filing to ensure that this error does not occur again, as well as conduct additional training with new employees to ensure their understanding of this issue. The licensee is also aware that it is their responsibility to correctly report these transfers regardless of the proper functioning of their computerized system. All previously missing forms were submitted by the close of business on the day the discrepancy was discovered (September 8, 2016).

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.

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License/Permit/Registry Number (If any) 584005077K05862	Expiration Date 10/1/2017	Date(s) or Period of Inspection 09/06/2016 through 09/29/2016				

Inspection Results

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

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

Signature and Title

(b)(6)

Member

Industry Operations Investigator

Date

9/29/16

Date

9/29/16

For Official Use Only



U.S. Department of Justice

Bureau of Alcohol, Tobacco,
Firearms and Explosives

Denver Field Division

October 21, 2016

www.atf.gov

788070: (b)(6)
5300

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

Re: FFL# 5-84-005-07-7K-05862

Mr. Estes:

During a recent inspection at your firearms business covering the period from September 1, 2015 to September 6, 2016 you were cited for violations of Title 27, Code of Federal Regulations, Part 478. A copy of the Report of Violations, ATF F 5030.5, issued at the time of the inspection is enclosed.

All violations were fully explained to you by the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) Industry Operations Investigator. You or your responsible person indicated that you understood the requirements of the firearms laws and regulations and 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. This is critical to carrying out our mission to protect the public and to ensure that criminals do not gain access to firearms. ATF appreciates the efforts you and other industry members make in this area. We look forward to continuing to work with you in that regard.

You are reminded that retention of your Federal firearms license is conditioned upon your compliance with Federal laws and regulations. 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.

Mr. Michael Estes
Damage Factory LLC

Should you have any questions regarding this matter, please contact (b)(6), Area Supervisor at (b)(6).

(b)(6)

Area Supervisor Industry Operations

cc: Federal Firearms Licensing Center
Denver VI Field Office

FIREARMS INSPECTION REPORT

Name: Damage Factory LLC
Trade Name:

UI#: 788070-2016-0241-B1B
FFL#: 5-84-005-07-7K-05862

Address: 6806 South Dallas Way
Greenwood Village, Colorado 80112 ARAPAHOE

1 - Introduction

Inspection Profile:

On September 6, 2016 Industry Operations Investigators (b) (6) commenced the onsite portion of a Disposition Emphasis inspection at the premises. The inspection covered September 1, 2015 – September 6, 2016. Investigator (b) (6) interviewed Kenneth Ong (Member and Responsible Person) and Michael Estes (Member and Responsible Person). Michael Estes was identified with Colorado Driver License Number (b) (6). Advance notice was not given for this inspection. The inspection concluded on September 29, 2016.

Business Profile:

Damage Factory manufactures, buys, and sells new and used firearms to the general public and other FFLs. This licensee is a medium volume manufacturer that primarily deals with transfers to individuals as well as a medium volume retail business. The business operates from a commercial location in the city of Greenwood Village, Colorado. This licensee has been in business for approximately 2 years. The licensee does conduct business at gun shows periodically at this time. Damage Factory utilizes a website (www.damagefactory.com) to sell firearms, equipment and accessories. Damage Factory sells firearms, equipment and accessories. The licensee holds no other ATF licenses at this time.

During the inspection period, the licensee acquired approximately (b) (4) firearms and disposed of approximately (b) (4) firearms. Approximately (b) (4) percent were long guns. Approximately (b) (4) of the firearms sold are new a manufactured by Damage Factory or obtained from other licensees.

The licensee is compliant with State and local laws and meets all zoning requirements. The licensee is not required to obtain any additional licenses or permits to operate within the city of Greenwood Village, Colorado. The licensee is in good standing with the Colorado Secretary of State as verified by Investigator (b) (6) on August 23, 2016. Investigator (b) (6) has queried NFORCE to determine that Mr. Yamasaki, Mr. Ong and Mr. Estes are not linked to any ongoing criminal investigations at this time. There is no off-site storage of firearms.

Ownership and Control:

Damage Factory is licensed as a limited liability company. Mr. Ong and Mr. Estes, as well as Bryant Yamasaki are currently listed as the only responsible persons on the Federal Firearms License (FFL). Mr. Ong and Mr. Estes are responsible for a majority of the day to day decisions in regard to operations, policies and procedures for firearms related issues. There is no hidden ownership suspected. No additional responsible persons were identified during the inspection.

Variance:

The licensee does not hold any current variances and has not requested any additional variances as a result of this inspection.

2 - Recommendation

Violations, Warning Conference with Warning Letter and Recall Inspection

3 - Inspection History

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

There is no further inspection history for this licensee.

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

Investigator (b) (6) conducted a full inventory. There were [REDACTED] firearms in inventory and [REDACTED] open entries in the A & D Record. Every firearm in the physical inventory was compared to the A & D record and from the A & D record to the firearms with [REDACTED] discrepancies disclosed. [REDACTED] firearms were traced from acquisition through disposition and no additional discrepancies were noted. As a result of conducting a full inventory and discovering discrepancies, the following violations were cited:

1. **27 CFR 478.123(b)** – Failure to record the disposition of each individual firearm to another licensee in the Acquisition and Disposition Record in [REDACTED] instances. **See Section 13 – Violation 2 and Worksheet 1.** The following methods were utilized to resolve the discrepancies that were discovered:
 - [REDACTED] of the discrepancies were resolved by reviewing receipts showing payment for the firearms by another licensee and shipping documentation showing items were shipped to the licensee as claimed by Mr. Estes; and
 - [REDACTED] of the firearms was returned to another licensee where it was purchased (CDNN), with this information verified by the other licensee.

2. **27 CFR 478.123(d)** - Failure to record the disposition of each individual firearm to a nonlicensee in the Acquisition and Disposition Record in instances. See **Section 13 – Violation 3 and Worksheet 1**. The following methods were utilized to resolve the discrepancies that were discovered:
- of the discrepancies were resolved by reviewing the ATF Forms 4473, which showed the transfer of the firearms (**See Exhibit 2**); and
 - of the discrepancies was resolved by reporting the items as a loss on ATF Form 3310.11, Federal Firearms Licensee Firearms Inventory Theft/Loss Report (**See Exhibit 9**).

Firearms are received and logged in by Mr. Estes or Mr. Ong. Firearms are sold and logged out by Mr. Estes, Mr. Ong or whichever employee completes the transaction. Investigator (b) (6) suggested that one individual log out all firearms or that one individual verify that the firearms have been logged out at the end of the business day.

The computerized A & D record was found to be in the proper format, including all required information. There were no trafficking issues related to the A & D Record. No illegal firearms or firearms with obliterated serial numbers were discovered in inventory. There was no theft or loss reported during the inspection period.

5 - ATF Forms 4473 – NICS & Other Dispositions

There were ATF Forms 4473 filed chronologically for this inspection period. All of the forms were reviewed and the following violations were disclosed:

1. **27 CFR 478.21(a)** - The licensee failed 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 ATF Forms 4473. See **Section 13 – Violation 4, Exhibit 3 and Worksheet 2**.
2. **27 CFR 478.124(c)(1)** – The licensee failed 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 forms. See **Section 13–Violation 5, Exhibit 4 and Worksheet 2**.
3. **27 CFR 478.124(c)(3)(i)** – The licensee failed to document complete information from government issued identification used to identify the transferee on forms. See **Section 13 – Violation 6, Exhibit 5 and Worksheet 2**.
4. **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 TF Forms 4473. See **Section 13 – Violation 7, Exhibit 6, and Worksheet 2**.
5. **27 CFR 478.124(c)(5)** – The licensee failed to sign and/or date the ATF Form 4473 when the licensee does not know or have a reasonable cause to believe that

the transferee is disqualified by law from receiving the firearm [§ 87(2)(b)] forms. See **Section 13 – Violation 8, Exhibit 7 and Worksheet 2.**

The licensee has their customers complete the ATF Form 4473 on a computer at the sales counter, then completes the CBI check and the remainder of the form prior to printing out the form for the signature of the transferee and the transferor. The forms are completed by whichever employee is completing the sales transaction.

The licensee had [§ 87(2)(b)] CBI/NICS denials during the inspection period. The licensee understands how denials are to be properly filed and retained. The licensee did make several sales to a law enforcement officer, and expressed understanding of the correct procedure to transfer firearms to law enforcement officers for personal use and for duty weapon use. Transfers to other licensees were conducted properly and copies of each license were retained.

The ATF Forms 4473 were reviewed for indicators of trafficking, and repeat purchasers. No discrepancies were noted. Investigator [§ 87(2)(b)] conducted an FFL audit log verification of 712 CBI/NICS transaction numbers and did not note any discrepancies.

6 - Multiple Sales

The licensee had [§ 87(2)(b)] multiple sales for the inspection period. There were [§ 87(2)(b)] unreported multiple sales (involving [§ 87(2)(b)] firearms) discovered during this inspection. The licensee has completed and submitted these reports as required. The following violation was disclosed during the review of forms:

27 CFR 478.126a – The licensee failed 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 [§ 87(2)(b)] forms involving [§ 87(2)(b)] firearms. See **Section 13 – Violation 9, Exhibit 8 and Worksheet 2.**

7 - Suspicious/Prohibited Purchasers

Investigator [§ 87(2)(b)] did not identify any traffickers, straw purchasers, or prohibited people during this inspection period. Mr. Estes and Mr. Ong stated that they are observant in regard to situations that could lead to a straw purchase and have trained the employees accordingly. Criminal history checks were run on the responsible persons with no hits. No additional criminal history checks were conducted for this inspection.

8 - Trace Activity

There were no traces for the inspection period. There were no unsuccessful traces for this licensee.

This licensee has very few secondary market items in their inventory on a regular basis. They primarily deal in their own manufactured items and only occasionally buy any used firearms. Of the [REDACTED] used firearms currently in inventory, all were purchased from a regular customer (who then purchased a different item from them) or are in the store for gunsmith services.

9 - NFA/Importer/Collector/Manufacturer

The licensee does not import or collect firearms under this license. The licensee is a medium volume manufacturer. The licensee is current with filings of AMFER reports as required. The following violation was disclosed during the inspection:

27 CFR 478.92(a)(1) –The licensee failed to properly mark each firearm manufactured by the licensee [REDACTED] instances. The licensee has failed to mark each firearm that has been manufactured as required by the regulations with its business name and city and state. The licensee understands their obligation to mark all firearms manufactured by them within 7 days upon completion of the manufacturing process. **See Section 13 – Violation 1, ROV 1 and Exhibit 1.**

The licensee is also a Special Occupation Taxpayer (SOT). The licensee currently holds 16 NFA items in its inventory, which coincides with information received from the National Firearms Registration and Transfer Record (NFRTR).

10 - Referrals

(b) (6), (b) (7)(C)

11 - Other

Damage Factory is in compliance with the Youth Handgun Safety Act, secure gun storage, and safety devices. No other notable issues were discovered during the course of this inspection.

12 - Closing Actions

On September 29, 2016, Investigator [REDACTED] conducted a closing conference with Mr. Estes. Investigator [REDACTED] reviewed and discussed the Acknowledgement of Federal Firearms Regulations with Mr. Estes. The Acknowledgement was signed and dated by Mr. Estes. **See Exhibit 10.** At the time of the closing, Mr. Estes was also 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 478.92(a)(1)**

Nature of the violation:

Failure to properly mark each firearm manufactured by the licensee [REDACTED] instances. The licensee has failed to mark each firearm that has been manufactured as required by the regulations with its business name and city and state.

Licensee's response:

The licensee stated one of these firearm "is still being manufactured" and that he didn't understand it had to be marked if it wasn't completed, and that the other three were an oversight. The licensee understands their obligation to mark all firearms manufactured by them within 7 days upon completion of the manufacturing process.

Corrective action:

The licensee will adhere to ATF regulations moving forward for marking firearms upon manufacture. These firearms are in inventory and the appropriate markings have been made to the firearms prior to the conclusion of the inspection. Specifically, the licensee was made aware of the deficiency on September 6, 2016 and given a deadline of September 12, 2016, to complete the required markings. Investigator (b) (6) observed that the required markings were completed at the closing conference on September 29, 2016.

See ROV 1, and Exhibit 1.

2. **27 CFR 478.123(b)**

Nature of the violation:

Failure to record the disposition of each individual firearm to another licensee in the Acquisition and Disposition Record [REDACTED] instances.

Licensee's response:

The licensee stated that he believes it was due to an error in operation of their new computerized record keeping system.

Corrective action:

The licensee immediately corrected the disposition record for each of the [REDACTED] firearms that were determined to have no disposition in error at the time of the inspection. The licensee has conducted training with his employees on this issue to ensure that this error does not occur again.

See ROV 2, and Worksheet 1.

3. **27 CFR 478.123(d)**

Nature of the violation:

Failure to record the disposition of each individual firearm to nonlicensee in the Acquisition and Disposition Record [b3 Public Law 112-55 (125 Stat. 552)] instances.

Licensee's response:

The licensee stated that this was an oversight and that he believes it was due to having several new employees in the last year.

Corrective action:

The licensee immediately corrected the disposition record for each of the [b3 Public Law 112-55 (125 Stat. 552)] firearms that were determined to have no disposition in error at the time of the inspection. The licensee has also completed ATF Form 3310.11, Federal Firearms Licensee Firearms Inventory Theft/Loss Report, and submitted it to the National Tracing Center. The [b3 Public Law 112-55 (125 Stat. 552)] items submitted on this report have been dispositioned with ATF Incident [b3 Public Law 112-55 (125 Stat. 552)]

[b3 Public Law 112-55 (125 Stat. 552)] The licensee has conducted training with his employees on this issue to ensure that this error does not occur again.

See ROV 3, Exhibit 2 and Worksheet 1.

4. **27 CFR 478.21(a)**

Nature of the 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 or ATF Forms 4473 [b3 Public Law 112-55 (125 Stat. 552)]

[b3 Public Law 112-55 (125 Stat. 552)] 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.

Licensee's response:

The licensee stated that this was an oversight and that he believes it was due to having several new employees in the last year.

Corrective action:

The licensee will review ATF Forms 4473 a second time prior to filing to ensure that this error does not occur again, as well as conduct additional training with new employees to ensure their understanding of this issue.

See ROV 4, Exhibit 3 and Worksheet 2.

5. **27 CFR 478.124(c)(1)**

Nature of the violation:

FIREARMS INSPECTION REPORT

Name: Damage Factory LLC
Trade Name:

UI#: 788070-2016-0241-B1B
FFL#: 5-84-005-07-7K-05862

Failure to obtain a properly completed ATF Form 4473, Section A, prior to making an over-the-counter transfer of a firearm to [REDACTED] licensee, who is a resident of the State in which the licensee's premises is located [REDACTED] 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 [REDACTED] **b3 Public Law 112-55 (125 Stat. 552)**

Licensee's response:

The licensee stated that he believes these instances were simply an oversight on the part of the employee completing the form.

Corrective action:

The licensee will review ATF Forms 4473 a second time prior to filing to ensure that this error does not occur again, as well as conduct additional training with new employees to ensure their understanding of this issue.

See ROV 5, Worksheet 2 and Exhibit 4.

6. **27 CFR 478.124(c)(3)(i)**

Nature of the violation:

Failure to document complete information from government issued identification used to identify transferee on [REDACTED] forms. The licensee failed to obtain supplemental government issued documentation to verify the transferee's residential address and document this on Item 20b of [REDACTED] forms (b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)

(b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)

Licensee's response:

The license stated that they did not understand that they should document the supplemental documentation reviewed in these cases.

Corrective action:

The licensee will review ATF Forms 4473 a second time prior to filing to ensure that this error does not occur again, as well as conduct additional training with new employees to ensure their understanding of this issue.

See ROV 6, Exhibit 5 and Worksheet 2.

7. **27 CFR 478.124(c)(4)**

Nature of the violation:

FIREARMS INSPECTION REPORT

Name: Damage Factory LLC
Trade Name:

UI#: 788070-2016-0241-B1B
FFL#: 5-84-005-07-7K-05862

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 ATF Forms 4473 (b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)
The licensee failed to complete an attachment with the required information (for Items 26-30) for any firearms over the amount allowed for on the form.

Licensee's response:

The licensee stated that he believes these instances were simply an oversight on the part of the employee completing the form.

Corrective action:

The licensee will review ATF Forms 4473 a second time prior to filing to ensure that this error does not occur again, as well as conduct additional training with new employees to ensure their understanding of this issue.

See ROV 7, Exhibit 6 and Worksheet 2

8.

27 CFR 478.124(c)(5)

Nature of the violation:

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 (b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)

(b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)

Licensee's response:

The licensee stated that he believes these instances were simply an oversight on the part of the employee completing the form.

Corrective action:

The licensee will review ATF Forms 4473 a second time prior to filing to ensure that this error does not occur again, as well as conduct additional training with new employees to ensure their understanding of this issue.

See ROV 8, Exhibit 7 and Worksheet 2

9.

27 CFR 478.126a

Nature of the violation:

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

FIREARMS INSPECTION REPORT

Name: Damage Factory LLC
Trade Name:

UI#: 788070-2016-0241-B1B
FFL#: 5-84-005-07-7K-05862

or more to an unlicensed person at one time or during any five consecutive business days of [REDACTED] forms involving [REDACTED] firearms (b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)
(b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)

Licensee's response:

The licensee stated that this was due to inadequate knowledge of their computerized record system. The system will not alert the user of a situation in which a multiple sale form may be required unless the type is listed as pistol or revolver, and the licensee was routinely listing these as only "handgun" until approximately May of 2016.

Corrective action:

The licensee will review ATF Forms 4473 a second time prior to filing to ensure that this error does not occur again, as well as conduct additional training with new employees to ensure their understanding of this issue. The licensee is also aware that it is their responsibility to correctly report these transfers regardless of the proper functioning of their computerized system. All previously missing forms were submitted by the close of business on the day the discrepancy was discovered (September 8, 2016).

See ROV 9, Exhibit 8 and Worksheet 2

X

(b) (6)

Industry Operations Investigator

Index of Worksheets and Exhibits

1. Exhibit 1: Pictures of firearms in support of Violation 1 - 27 CFR 478.92(a)(1) (b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)
2. Exhibit 2: ATF Forms 4473 in support of Violation 3 (b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)
3. Exhibit 3: ATF Forms 4473 in support of Violation 4 (b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)
4. Exhibit 4: ATF Forms 4473 in support of Violation 5 (b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)
5. Exhibit 5: ATF Forms 4473 in support of Violation 6 (b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)

FIREARMS INSPECTION REPORT

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(b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)

6. Exhibit 6: ATF Forms 4473 in support of Violation 7
(b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)
7. Exhibit 7: ATF Forms 4473 in support of Violation 8
(b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)
8. Exhibit 8: ATF Forms 4473 in support of Violation 9
(b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)

(b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)

9. Exhibit 9: ATF Form 3310.11 Federal Firearms Licensee Firearms Inventory
Theft/Loss Report – Incident **(b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)**
10. Exhibit 10: Acknowledgement of Federal Firearms Regulations