

Federal Firearms Licenses

New Applications

- ⇒ 6,186 received
- ⇒ 7,777 processed
- ⇒ 5,467 licenses issued

Renewal Applications

- ⇒ 29,729 received
- ⇒ 19,541 processed
- ⇒ 17,145 licenses issued

Application Inspections

- ⇒ 4,815 on-premises inspections
- ⇒ 10,822 renewal telephone inspections

Compliance Inspections

- ⇒ 13,141 on-premises inspections
- ⇒ 8,126 violations disclosed*

* Multiple violations could result from inspection of a single licensee.

GREAT

- ⇒ 15 "train-the-trainer" classes attended by 504 police officers
- ⇒ 240 agencies sponsored classes to 504,000 youngsters

GREAT Program is an optional follow-up summer project, with classroom instruction and extracurricular activities that reinforce the nine week school program through social and self-esteem building opportunities.

In FY 1993, the GREAT Program expanded to a national initiative after receiving praise and support from educators, enforcement officials, community leaders, and parents.

Communities identified for GREAT projects are selected on the basis of gang-related activity in that particular community.

EXPLOSIVES PROGRAM

As an integral part of the Bureau's overall violent crime reduction strategy, ATF's Explosives Program provides vital resources to local communities to investigate explosives incidents and arson-for-profit schemes. This program saves the insurance industry, and ultimately the American public, millions of dollars in fraudulent claims annually.

To investigate explosives incidents and arsons, ATF uses National Response Teams, International Response Teams, and Arson Task Forces. These teams consist of ATF special agents, auditors, technicians, laboratory personnel, and canines.

Aircraft Operations

Aircraft operations provide a specialized investigative tool used to support Bureau investigative priorities. The Bureau's aircraft are utilized for suspect surveillance, gathering of electronic and video photographic evidence, and to enhance the safety of undercover personnel. In FY 1995, aircraft were utilized in 211 investigations, mostly in support of the Achilles and Violent Offender Programs.

GREAT

ATF continues to support the Gang Resistance Education and Training (GREAT) Program. This program began in FY 1992 when ATF received Federal funding to develop and implement a prevention program aimed at reducing violence and gang activity in the Phoenix metropolitan area. GREAT is a structured, school-based program implemented in areas where gang activity either exists or is emerging.

The curriculum is taught by certified uniformed police officers and ATF special agents to the seventh and eighth grade levels. A third and fourth grade curriculum is also available. An integral part of the

Explosives regulation and enforcement programs are recognized to be vital to public safety, and ATF works to prevent both the criminal use and accidental detonations of explosives materials. ATF's efforts require the combined use of resources for explosives and arson incidents, such as special agents, auditors, inspectors, and forensic and technical specialists, that no other Federal agency can provide. The public safety is further protected by inspections to ensure that explosives are safely and securely stored and by issuing permits and licenses.

ATF plays a lead role in the investigations of arson and bombing incidents directed at abortion clinics and is a member of the Department of Justice Task Force focused on addressing abortion clinic violence. ATF also provides expertise internationally in the areas of postblast examination, and cause and origin determination.

An inherent function of the Bureau's Explosives Program is to maintain the Explosives Incident System. This system is a computerized repository for historical and technical data on national explosives incidents. This system assimilates details on reported incidents that are helpful in determining motives, trends, patterns, and "signatures." In addition, ATF is the focal point for other Federal, State and local law enforcement agencies to initiate traces of explosives.

National Response Teams

ATF's four National Response Teams (NRT) can respond within 24 hours to major bombing and arson scenes anywhere in the United States. The teams combine special agents, forensic scientists, and technical specialists. At arson scenes, ATF also deploys the Federal sector's only cause and origin specialists, auditors, and specially trained canines.

ATF also maintains an International Response Team, formed as a result of an agreement with the State Department. The team has been deployed to such countries as Peru, Argentina, Pakistan, and Macedonia.

Bombing and Arson

ATF provides vital resources to local communities in the wake of explosives incidents and arson-for-profit schemes. The Bureau pioneered the development of local multi-agency task forces designed to pool resources and expertise in areas experiencing significant arson problems.

ATF leads task forces in 15 major metropolitan areas throughout the United States and participates in numerous others. Resources include a cadre of 44 Certified Fire Investigators stationed across the country. ATF provides

specialized training and accreditation for these highly trained specialists. Since many arson crimes involve insurance fraud, these investigations often require complex financial analysis. ATF supports the task forces by providing financial auditing services.

<p align="center">National Response Teams</p> <ul style="list-style-type: none"> ⇒ 21 incidents required National Response Team expertise <p align="center">Bombing and Arson</p> <p>Explosives-Related</p> <ul style="list-style-type: none"> ⇒ 279 arrests ⇒ 157 indictments ⇒ 272 convictions <p>Arson-Related</p> <ul style="list-style-type: none"> ⇒ 287 arrests ⇒ 171 indictments ⇒ 297 convictions <ul style="list-style-type: none"> ⇒ \$19.7 million saved in fraudulent insurance claims <p align="center">Explosives Licenses and Inspections</p> <p>New Applications</p> <ul style="list-style-type: none"> ⇒ 2,035 received ⇒ 2,249 processed ⇒ 2,022 licenses/permits issued <p>Renewal Applications</p> <ul style="list-style-type: none"> ⇒ 1,934 received ⇒ 2,242 processed ⇒ 2,237 licenses/permits issued <p>Application Inspections</p> <ul style="list-style-type: none"> ⇒ 955 on-premises inspections <p>Compliance Inspections</p> <ul style="list-style-type: none"> ⇒ 3,145 on-premises inspections ⇒ 1,260 violations disclosed

Licenses and Inspections

Important as it is to put arsonists and bombers in jail, ATF also recognizes the value of averting accidents and keeping explosives from the hands of those who are prohibited from possessing them. ATF's Regulatory Enforcement provides a system of industry regulation emphasizing a proactive approach to the problem. Similar to the case with firearms, all manufacturers, importers and dealers are required to obtain a Federal license from ATF to conduct business, and certain users of explosives are required to obtain a Federal permit.

ATF maintains a regular program of on-site inspections to ensure that explosives are stored in approved facilities, which are secure from theft and located at prescribed distances from inhabited buildings, railways, and roads.

Furthermore, these inspections ensure that the licensees and permittees keep accurate records of the receipt and disposition of explosives materials, which are verified through actual inventories of explosives in storage. Dealer records are examined to confirm that purchasers executed the required Federal transaction form on which customers certify that they are not prohibited from possessing the explosives. Unusual discrepancies in records are referred immediately to the appropriate ATF Criminal Enforcement office for further investigation.

Canines

In 1989, ATF and the Connecticut State Police began a formal training program for accelerant-detecting canines to support State and local jurisdictions. Through FY 1995, a total of 55 accelerant-detecting canines have been trained and certified by ATF and the Connecticut State Police for State and local agencies.

Canines	
⇒	12 accelerant-detecting canines trained for State and local law enforcement
⇒	23 explosives-detecting canines trained and deployed internationally

Any State or local law enforcement agency interested in acquiring an accelerant-detecting canine must submit its application to ATF. These canines are the only accelerant-detecting canines in this country that carry a Federal certification, and must be re-certified annually by ATF and the Connecticut State Police. ATF expanded its canine efforts in 1991 when it entered into an agreement with the Department of State to train explosives-detecting canines to be deployed worldwide in support of anti-terrorism efforts.

The experience gained from these training programs has resulted in the development and standardization of training methodologies to hone the identification and discrimination capabilities of canines for accelerant and explosives detection.

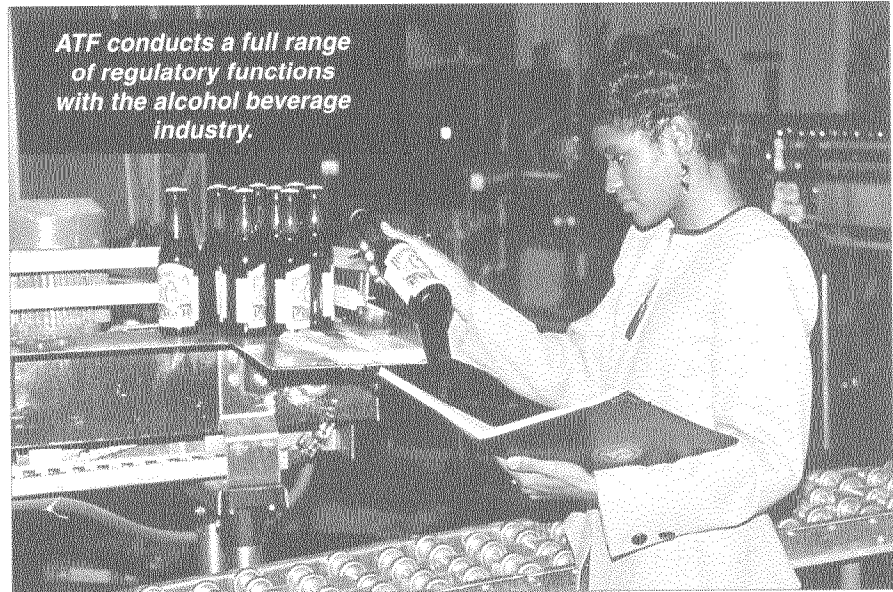
Research Initiatives

Working in conjunction with the U.S. Army Corps of Engineers and the Defense Nuclear Agency, ATF is conducting research into the effects of large car bombs. This research project, known as Dipole Might, began in 1994 and is funded by the National Security Council. The project is designed to develop a computer software system to assist investigators when processing large car bomb scenes. In FY 1995, two large car bombs were detonated and a complete postblast analysis was conducted to study bomb characteristics including explosives signature, blast effect, debris distance, and residue retrieval.

ATF is also advancing the use of computerized fire modeling to calculate the physics of a fire and how a fire develops and spreads. In FY 1995, the Bureau began recruiting for two full-time Fire Protection Engineers, making ATF the only Federal enforcement agency that will employ this expertise dedicated solely to arson enforcement. Although it is a relatively new tool to the enforcement community, computer modeling has proved successful in the courtroom as a tool to verify witness testimony. A comprehensive strategy has been developed to actively expand ATF's abilities to utilize fire research and computerized fire modeling with its criminal enforcement functions.

ALCOHOL AND TOBACCO PROGRAMS

In the alcohol beverage industry, the Bureau regulates the qualification and operations of distilleries, wineries, and breweries, as well as importers and wholesalers in the industry. ATF has established mutually beneficial working relationships to minimize the regulatory burdens on businesses while still providing necessary government oversight and protecting consumer interests.



Consumers of alcohol beverage products are protected by several functions unique to ATF. The ATF National Laboratory Center is the premier tester of new products coming onto the market, as well as the facility that determines whether any products currently on the market pose a health risk to consumers. To ensure alcohol beverage labels do not contain misleading information and adhere to regulatory mandates, ATF examines all label applications for approval.

The goals of the alcohol program are to ensure the collection of alcohol beverage excise taxes; to provide for accurate deposit and accounting for these taxes; to prevent entry into the industry by criminals or persons whose business experience or associations pose a risk of tax fraud; and to suppress label fraud, commercial bribery, diversion and smuggling, and other unlawful practices in the alcohol beverage marketplace.

ATF achieves tax compliance by focusing inspections on production facilities offering the greatest risk to revenue based on the volume of operations, past history of violations, poor internal controls, or questionable financial condition. In addition, teams of ATF special agents and inspectors perform complex investigations of multistate criminal violations of the Federal Alcohol Administration Act and sections of the Internal Revenue Code.

The goals of the tobacco program are to ensure the collection of tobacco excise taxes and to qualify applicants for permits to manufacture tobacco products or operate tobacco export warehouses. Tobacco inspections verify an applicant's qualification information, check the security of the premise, and ensure tax compliance. ATF special agents investigate trafficking of contraband tobacco products in violation of Federal law and sections of the Internal Revenue Code.

Following are descriptions of ATF's major alcohol and tobacco programs.

Federal Alcohol Administration Act

ATF conducts a full range of regulatory functions within the alcohol beverage industry. The Federal Alcohol Administration Act, passed shortly after the repeal of Prohibition, authorizes ATF to fully regulate the industry and to provide protection to consumers of alcohol beverages.

ATF is charged with protecting the consumer by preventing false or misleading claims on beverage labels and in advertising. The Bureau enforces the Government Health Warning Statement

Certificates of Label Approval

- ⇒ 1,521,264 approved labels on file
- ⇒ 59,730 applications for Certificates of Label Approval were processed
- ⇒ 92.3% were processed within the ATF standard of 9 days

requirements, prohibits health claims or exaggerated quality claims, monitors industry advertising, and conducts investigations of suspected label fraud. Certificates of Label Approval are issued by ATF for every alcohol beverage offered for sale in the United States, with limited exceptions (e.g., intrastate).

ATF investigates anticompetitive business practices between alcohol beverage suppliers and retailers to preserve the retailer's economic independence, as well as to investigate consumer complaints of tainted or adulterated alcohol beverages.

Reports of contamination in alcohol beverages are also investigated, and in the recent past, the Bureau has dealt with domestic and foreign contamination involving diethylene glycol, mercury, lead, methanol, formaldehyde, and even radioactive contamination from the Chernobyl disaster.

In addition, ATF acts to prevent organized crime and other criminal elements from entering the alcohol beverage industry by screening individuals who apply for Federal manufacture or wholesale basic permits.

Permits and Inspections

To ensure that the alcohol and tobacco industry members comply with the applicable laws and regulations, ATF conducts compliance inspections and issues permits to engage in the various types of businesses within the alcohol and tobacco industries.

Alcohol and Tobacco Permits and Inspections

Alcohol Permit Applications

- ⇒ 5,439 received
- ⇒ 5,434 processed

Alcohol Inspections

- ⇒ 1,240 application inspections
- ⇒ 2,515 compliance* inspections
- ⇒ 2,187 violations disclosed
- ⇒ \$2,494,000 additional taxes assessed

*Product integrity, market integrity and tax compliance inspections.

Tobacco Permit Applications

- ⇒ 209 received
- ⇒ 230 processed

Tobacco Inspections

- ⇒ 81 application inspections
- ⇒ 218 compliance inspections
- ⇒ 78 violations disclosed
- ⇒ \$321,000 additional taxes assessed

Diversion

ATF's Diversion and Smuggling Program is geared toward curbing a rising trend of illegal diversion (smuggling) activities involving cigarettes and distilled spirits in order to evade tax payments and other laws within ATF's jurisdiction.

Until recently, when Canada substantially reduced its high tobacco taxes, Canadian authorities determined that a significant and increasing problem existed with tobacco products being smuggled into Canada from the United States to evade Canadian excise taxes and duties. Because most of this contraband was channeled through the United States, the Royal Canadian Mounted Police and Canadian Customs requested specific assistance from ATF.

Diversion activities are also defrauding the United States of tax revenues. In this case, non-tax-paid cigarettes and distilled spirits are fraudulently claimed for export markets (for which there is no tax liability) when in fact they are illegally diverted back into the U.S. domestic market for sale where taxes should apply.

Canadian authorities estimate revenue losses from tobacco and alcohol diversion are costing several hundred million dollars annually. For example, a 1.75 liter bottle of vodka purchased in Washington, D.C. or a Las Vegas liquor store for \$10 might sell for as much as \$40 if it were purchased in a Canadian liquor store. This lucrative black market "profit" has attracted organized crime groups from both sides of the border who are actively participating in this diversion activity.

Because the documentation offered to ATF to support the tax-free exportation of these products often is either counterfeit or absent, ATF is pursuing tax assessments against a number of domestic distillers. ATF is also considering administrative action or criminal prosecution against retailers and wholesalers who knowingly supply smuggling organizations.

Currently, ATF is conducting several joint investigations with the Internal Revenue Service, U.S. Customs Services, the Royal Canadian Mounted Police, and Canadian Customs regarding significant tobacco and distilled spirits-related criminal diversion activities within the United States and Canada. ATF is also developing an intelligence database for diversion cases that involve alcohol and tobacco criminal diversion activity.

Alcohol Trade Issues

Many countries throughout the world have trade barriers in place that prevent U.S. manufacturers of alcohol beverages from doing business in these countries. When asked, ATF assists U.S. businesses in eliminating these trade barriers. ATF's expertise is also utilized by the U.S. Trade Representative in negotiations with foreign countries on alcohol-related trade issues.

Electronic Commerce

A model project was developed in FY 1995 to allow industry members to electronically submit and follow the status of applications for nonbeverage alcohol formula approval. As a joint effort among industry,

ATF's Office of Regulatory Enforcement Programs, and the ATF National Laboratory Center, this project was deemed very successful. Plans are in process for expanding this service industry wide. In addition, plans are being developed to make color images of approved certificates of label approval and industry statistics available on the Internet.

REVENUE MANAGEMENT

ATF's revenue management program includes a variety of activities and functions based on the processing, auditing and recording of tax returns, and monthly operating reports, as well as the accounting for all deposits and payments for taxes, licenses, permits and fees from the alcohol, tobacco, firearms, ammunition and explosives industries. *A more detailed description of the different types and sources of revenue is provided starting on page 37 in the Financial Analysis and Discussion section.*

Management of taxpayer accounts and the proper receipt of tax returns and payments, ensures accurate collecting and reporting of all receivables. ATF's integrated collection systems include work by the technical services staffs located in each of the 5 districts. The Tax Processing Center centralized in Cincinnati, Ohio, also plays a key role. Principal activities of these entities include office audits of tax returns and reports, audits of claims, collection actions, review and approval of applications for permits, registration of plants and surety bonds, and processing and custody of official case files.

Current plans call for reducing the number of technical services offices, eventually leading to a single ATF tax and permit processing center serving the whole country. In accomplishing this, ATF plans to maintain or enhance customer service and revenue protection despite an overall reduction in resources allocated to these functions.