

**IMPROVEMENTS NEEDED IN  
THE BUREAU OF ALCOHOL, TOBACCO  
AND FIREARMS EXPLOSIVES INSPECTION  
PROGRAM**

OIG-00-086

May 26, 2000



**Office of Inspector General**

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**United States Department of the Treasury**

May 26, 2000

MEMORANDUM FOR BRADLEY A. BUCKLES, DIRECTOR  
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS  
/S/  
FROM: Dennis S. Schindel  
Assistant Inspector General for Audit  
SUBJECT: Improvements Needed in the Bureau of  
Alcohol, Tobacco and Firearms'  
Explosives Inspection Program

This memorandum presents the results of our audit of the Bureau of Alcohol, Tobacco and Firearm's (ATF) Explosives Inspection Program. The report addresses ATF's efforts to resolve explosives violations. The objective of our audit was to determine whether ATF ensured licensees and permittees corrected the violations its inspectors identified and whether employees accurately entered and tracked explosives violations in ATF's monitoring systems. We conducted this audit at ATF Headquarters in Washington, D.C., and at the Lansdale, PA; Dallas, TX; and Portland, OR, area offices.

We found no evidence in ATF's inspection files the licensee or permittee completed corrective action for 75, or 24 percent, of the 311 violations we reviewed. Most of these violations were significant because they represented a real or potential threat to public safety.

We attribute the lack of corrective action evidence in part to inspectors' noncompliance with procedures for documenting significant explosives violations on an ATF Form 5030.5, *Report of Violations*. This form requires the inspector to record the needed corrective action and date the action is to be completed by the licensee or permittee. Of the 75 violations with no evidence of corrective action, we found inspectors did not use the form for 40 violations, and for the remaining 35 where they did use the form, recorded a specific corrective action and date on only 4. Supervisory review of the inspections failed to pick up these discrepancies. As a result, ATF may have allowed serious risks to the public safety to exist much longer than necessary.

We recommended the Director, ATF: (1) ensure inspectors document all significant explosives violations on ATF Form 5030.5, *Report of Violations* in accordance with the *Regulatory Enforcement Inspector Handbook*; (2) ensure inspectors specify

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the corrective action to be taken and the date corrective action is to be completed on the ATF 5030.5; and (3) provide training to area office supervisors to ensure they properly review inspection reports.

ATF's response to our draft report indicated that ATF plans to improve documentation of explosive violations and related corrective actions, and develop training for supervisors. We believe ATF's actions are responsive to our recommendations. We summarized the response and our comments after the recommendations in the report.

We would like to extend our appreciation to ATF for the cooperation and courtesies extended to our staff during the review. If you have any questions, please contact me at (202)927-5400, or a member of your staff may contact Donald Benson, Director for Program Audits, at (617) 223-8640.

Attachment

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# EXECUTIVE DIGEST

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## Overview

In its mission to protect the public safety, the Bureau of Alcohol, Tobacco and Firearms (ATF) conducts compliance inspections of explosives licensees and permittees. Between 1995 and 1998, the number of compliance inspections ATF performed increased from 3,145 to 7,391, or 135 percent. Through these inspections, ATF identified almost 5,000 violations in Fiscal Years (FY) 1997 and 1998. To be effective in ensuring the public safety, it is of the utmost importance ATF not only identify the explosives violations, but also ensure the licensees and permittees promptly complete the corrective actions to bring them into compliance with Federal explosives regulations.

## Objectives, Scope and Methodology

The objectives of our audit were to determine whether ATF ensured licensees and permittees corrected the violations identified during inspections, and whether ATF employees accurately entered and tracked explosives violations in ATF's monitoring systems.

The scope of our audit pertained to explosives compliance inspections ATF conducted in FYs 1997 and 1998. We reviewed ATF licensee and permittee inspection files to determine whether ATF accurately tracked, recorded, and resolved these violations. Specifically, we reviewed all documentation associated with an explosives compliance inspection, including the *Assignment and Report* (ATF Form 5700.14), written narrative report (which is a report of exception) if one was prepared, *Report of Violations* (ATF Form 5030.5), and any other documentation in the file. We also interviewed inspectors from each of the three area offices we visited to obtain general information related to how they conducted various compliance inspections.

## Audit Results

For 75 violations, or 24 percent, of the 311 violations we reviewed in three area offices, we could not find any evidence of corrective action in ATF's inspection files. We noted these violations generally involved corrective action that was to take place after the time of the inspection. For example, these violations included *storage violations*, where improvements were needed to the storage area or the adjacent area. Another major category was *record keeping*,

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## EXECUTIVE DIGEST

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where records of explosives were inaccurate or incomplete. ATF has identified both types of violations as significant.

Two factors contributed to the lack of evidence of corrective action. First, inspectors did not follow ATF guidance for documenting significant explosives violations on ATF Form 5030.5, *Report of Violations*. This form enables ATF personnel to set a date when corrective action should be completed. We found the inspectors were either not using the form, or were not completing it. Second, the supervisory review of the inspection file failed to identify these discrepancies.

### **Recommendations**

We recommended that the Director, ATF, ensure all significant explosives violations and corrective actions are properly documented, and training is provided to area office supervisors.

### **Management Response and OIG Comment**

ATF responded it will take action to ensure all significant violations and corrective actions are appropriately documented. In addition ATF will establish an inter-directorate group to develop training for area supervisors on report content and review for all of ATF's regulated industries. We believe these actions are responsive to our recommendations.

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# BACKGROUND

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On October 15, 1970, Congress enacted the Organized Crime Control Act of 1970 (the Act). Title XI of the Act contains the Federal Explosives law. The Federal Explosives law affects all persons who import, manufacture, deal in, purchase, use or store explosive materials. It also affects those who ship, transport, or receive explosive materials in interstate commerce.

ATF regulates the explosives industry through Title 27 of the *Code of Federal Regulations*, Part 55, *Commerce in Explosives*. ATF issues licenses to explosives manufacturers, importers, and dealers. Any individual or business entity intending to engage in these activities must first obtain a license (licensee). A Federal users permit is required when a non-licensee acquires or transports explosives in interstate or foreign commerce (permittee). A permit allows transactions for personal use only.

ATF, in its mission to protect the public safety, performs compliance inspections of licensees and permittees in accordance with its *Fiscal Year Inspection Operating Plan*<sup>1</sup>. ATF conducts these inspections in accordance with the procedures and techniques contained in the *Regulatory Enforcement Inspector Handbook* (handbook), dated September 9, 1996.

The handbook provides inspectors with a comprehensive guide to inspection procedures and techniques. Chapter E, “Explosives Compliance Inspections,” contains the guidelines and procedures inspectors should use when conducting explosives compliance inspections. Section 98, “Closing Actions,” provides the guidance for closing out the explosives compliance inspection.

Area office inspectors travel to a licensee’s or permittee’s place of business to perform an explosives compliance inspection.

When inspectors find a violation, the handbook specifically states the inspector should prepare an ATF 5030.5, *Report of Violations*, to “document all significant violations disclosed during the inspection.”

Chapter I of the handbook defines significant violations as those that pose a threat to the public safety. If the inspector prepares an ATF 5030.5, all violations should be documented in sufficient detail to convey the specific problem areas to the licensee or permittee, and to support any future administrative or criminal proceeding which may

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<sup>1</sup> Prior to ATF’s Fiscal Year 1999 Inspection Operating Plan, the annual plan was called the ATF Regulatory Field Operations Fiscal Year Operating Plan.

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## BACKGROUND

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result. If violations are detected, the inspector should make every attempt to have the licensee or permittee correct significant violations immediately in order to eliminate the need for a recall inspection.

Explosives inspection reports are normally written by exception. A report by exception may be used in any explosives inspection except for explosives application investigations, which require a full narrative report. A report by exception details, in narrative form only, that which is improper, irregular, or incorrect, in order to establish the nature and extent of noncompliance. A report by exception contains a recommendation based on the results of the current inspection in conjunction with any previously cited or continuing violations. This narrative and the accompanying documents may serve as the sole basis for decisions relating to adverse administrative action.

Accordingly, it is imperative for ATF inspectors to follow these detailed instructions to implement any adverse actions against a licensee or permittee.

At the end of the inspection, the inspector completes an *Assignment and Report*, ATF Form 5700.14. This document contains vital information on the results of the inspection such as:

- operating name and address of licensee/permittee;
- unique identifier number;
- permit/license number;
- ATF officer assigned;
- inspection results;
- time accounting data;
- ATF officer's recommendation and signature; and
- supervisory review comments, recommendation, and signature.

Regarding inspection results, the ATF officer is to include, among other things, the numbers of violations, *Treasury Enforcement and Communication System* checks, referrals, and the ATF officer's recommendation.

The area office supervisor's secretary or assistant uses the ATF Form 5700.14 to input the inspection data into ATF's monitoring system called "*R: Base.*" Each area office received



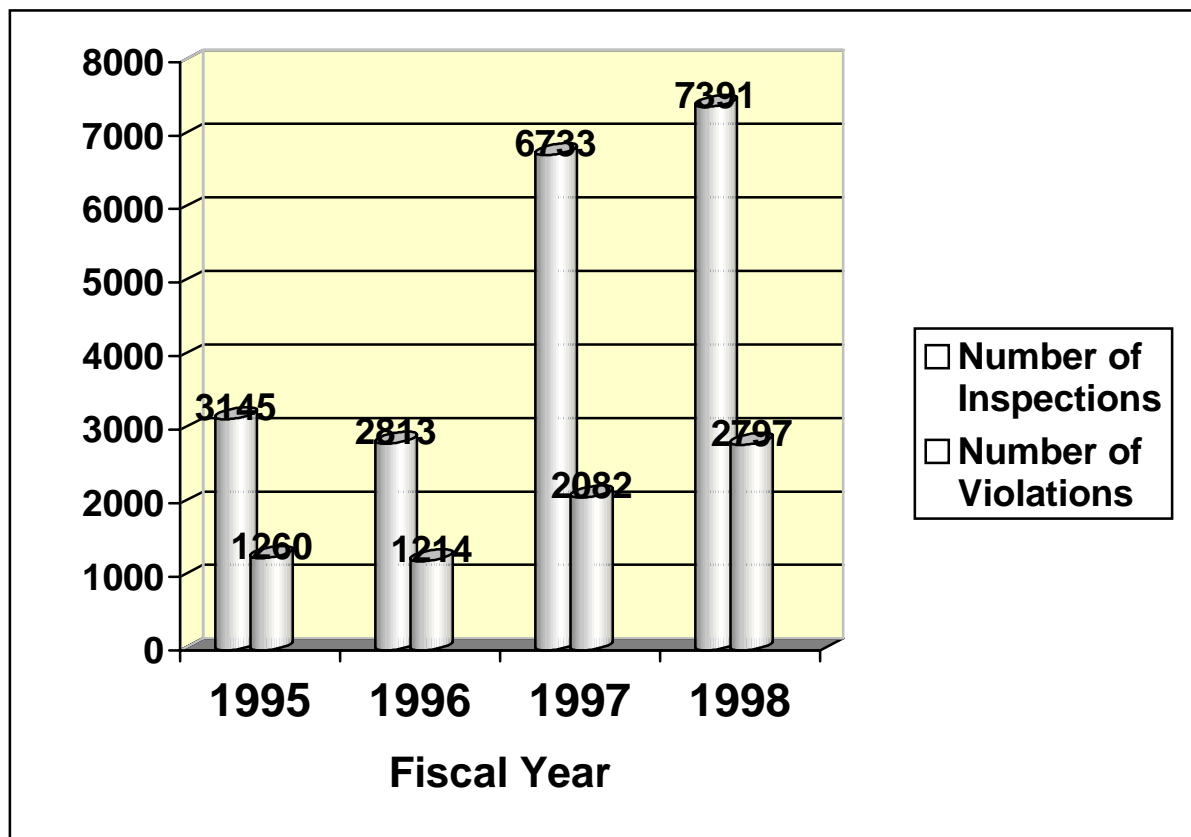
## BACKGROUND

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*R: Base*, a program designed in part to generate the required monthly operating report, track assignments, and generate travel expense reports.<sup>2</sup>

During FYs 1997 and 1998, ATF significantly increased the number of explosives compliance inspections it conducted as compared with prior years. The chart below shows the number of explosives inspections ATF conducted during FYs 1995 to 1998 and the number of related violations.

Chart 1. Explosives Compliance Inspections and Violations  
Fiscal Years 1995-1998



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<sup>2</sup> The R: Base data is used by ATF Headquarters to publish the Regulatory Enforcement Field Operations Fiscal Year Operating Final Report.

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## **BACKGROUND**

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As can be seen by the chart, ATF increased the number of compliance inspections from 3,145 in FY 1995 to 7,391 in FY 1998, or 135 percent. The number of violations detected similarly increased during this period from 1,260 to 2,797, or 122 percent.

# OBJECTIVES, SCOPE AND METHODOLOGY

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The audit objectives were to determine whether ATF ensured the licensees and permittees corrected the violations ATF inspectors identified during explosives compliance inspections, and whether ATF employees accurately entered and tracked explosives violations in ATF monitoring systems.

The scope of our audit was explosives compliance inspections ATF conducted during FYs 1997 and 1998. ATF's FYs 1997 and 1998 *Regulatory Field Operations Fiscal Year Operating Plan(s)* contained different inspection categories broken down into "Special Project Codes" (referred to as SPC Codes). Four of these SPC Codes--EB, ED, EE, and EG--represented about 81 percent of the total number of explosives inspections ATF conducted during these 2 fiscal years. The four SPC codes were defined as follows:

- SPC Code EB - Inspections of importers, manufacturers, dealers, and users of high explosives.
- SPC Code ED - Compliance inspections not covered by any other SPC category, such as licensees and permittees with serious storage or other violations in either of the two previous inspections, and all black powder distributors and storers of more than 50 pounds.
- SPC Code EE - Inspections of permittees (and licensees, if any) that indicated no storage on their application.
- SPC Code EG - Inspections to determine whether applicants were eligible for a license or permit (i.e., Were they adequately informed of explosives laws and regulations and did they have suitable storage facilities?).

During FYs 1997 and 1998, ATF conducted 6,733 and 7,391 explosives compliance inspections, respectively, exclusive of application inspections<sup>3</sup>. We limited our scope to SPC Codes EB and ED because these two codes represented a majority of the explosives inspections ATF performed (7,664 of the 14,124 explosives compliance inspections, or 54 percent) and the most violations ATF detected (3,537 of the 4,879 explosives compliance violations, or about 72 percent) during FYs 1997 and 1998.

In determining whether ATF accurately tracked, recorded, and resolved violations, the auditors reviewed ATF licensee/permittee inspection files. Specifically, we reviewed all of the documentation in the inspection files, including the (1) *Assignment and Report* (ATF

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<sup>3</sup> ATF conducted 2,708 application inspections in FYs 1997 and 1998. ATF categorizes them separately from compliance inspections because they are conducted to ensure whether applicants are eligible for an explosives license or permit as opposed to compliance with explosives laws and regulations.

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## OBJECTIVES, SCOPE AND METHODOLOGY

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Form 5700.14); (2) a written narrative report (which is a report of exception) if the inspector prepared one; (3) *Report of Violations* (ATF Form 5030.5); and (4) any other documents or correspondence in the inspection file.

In addition to a conveniently located office, we selected two area offices with a high number<sup>4</sup> of SPC Code EB and ED inspections performed during FY 1998 and with a substantial number<sup>5</sup> of related violations reported during the same time period. Accordingly, we visited the Portland, OR; Dallas, TX; and Lansdale, PA offices. For each location we visited, we asked the area office supervisor to provide us with a listing of the explosives inspections performed in the EB and ED inspection categories during FYs 1998 and 1997. We were provided 2-year listings of 368 compliance inspections in Portland, 423 in Dallas, and 242 in Lansdale. From these listings, we selected for review 271 inspection files from Portland, 210 from Dallas, and 223 from Lansdale, for a total of 704 inspection files.

We interviewed inspectors from each location to obtain general information related to how they conducted various compliance inspections. For example, we asked whether the inspectors received any guidance on what constituted a public safety violation, or when an ATF Form 5030.5, *Report of Violations*, was called for. We also wanted to know what types of evidence were accepted as proof the licensee/permittee completed corrective action.

We performed our audit between October 1998 and May 1999 at ATF Headquarters in Washington, D.C., and at ATF area offices located in Lansdale, PA; Dallas, TX; and Portland, OR.

We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and included such audit tests as we determined necessary. We documented and reviewed management controls associated with ATF's operations and did limited testing for possible fraud. We did not find any indications of fraud.

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<sup>4</sup>Among all areas office, the Dallas Area Office ranked first (270) and the Portland Area Office fourth (220) in the number of compliance inspections conducted in FY 1998.

<sup>5</sup>Portland detected the second most (155) and Dallas the third most (148) violations.

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# AUDIT RESULTS

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## **Finding 1. ATF Did Not Always Effectively Ensure Licensees/Permittees Completed Corrective Actions**

ATF did not always effectively ensure licensees/permittees completed the corrective actions required to close out explosives violations. ATF inspectors identified these violations during explosives compliance inspections. Specifically, at the three area offices we reviewed, the licensee/permittee inspection files did not contain any documentation to support whether the licensee/permittee completed corrective action on 75 of 311, or about 24 percent, of the violations.

ATF inspectors told us area offices cover a wide geographic area and perform a variety of compliance inspections. As a result, they often rely on the following year's inspection to determine whether the licensee/permittees completed the recommended corrective action. Our review of the following year's inspection reports generally revealed no mention of the prior year's violations. Accordingly, we could not determine if the violations were ever corrected.

There are two reasons why these problems exist. First, ATF's inspectors were not following procedures requiring them to issue ATF Form 5030.5, *Report of Violations*, for all significant violations. ATF inspectors also did not record specific corrective action and completion dates on the 5030.5. Second, supervisors failed to identify discrepancies when reviewing the *Assignment and Report*, ATF 5700.14. Most of the 75 violations were significant in that they posed a threat or potential threat to the public safety. As a result of these deficiencies, ATF may have allowed serious risks to the public safety to exist much longer than necessary.

## **Recommendations**

We recommend the Director, ATF:

1. Ensure inspectors document all significant explosives violations on ATF Form 5030.5, *Report of Violations*, in accordance with the *Regulatory Enforcement Inspector Handbook*, Chapter E, Section 98.
2. Ensure inspectors specify the corrective action to be taken and the date corrective action is to be completed on the ATF 5030.5.
3. Provide training to area office supervisors to ensure they properly review inspection reports.

# AUDIT RESULTS

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## Management Response and OIG Comment

ATF responded it will document all significant violations in accordance with ATF directives and guidance. ATF will forward a memorandum to all field offices containing guidance on procedures for proper completion of ATF Form 5030.5, as well as reference to the Inspector's Handbook. ATF is also tasking an inter-directorate group with developing training for area supervisors on report content and review for all of ATF's regulated industries.

We believe these actions are responsive to our recommendations.

## Details

### No Evidence of Completed Corrective Action in the Inspection Files

We reviewed inspection files for evidence indicating whether the licensee or permittee completed the corrective action requested by the inspector. We accepted certain evidence as support for whether the licensee/permittee completed the corrective action. We accepted:

- (1) the inspectors' written statements "corrected immediately" or "corrected during inspection" contained either on the ATF 5030.5, in the inspection report narrative, or on the ATF 5700.14;
- (2) the licensee/permittee's certification on the returned suspense copy of ATF 5030.5;
- (3) a "corrective action letter" from the licensee/permittee;
- (4) the inspector's written notation of a phone conversation with the licensee/permittee or re-inspection of the licensee/permittee; and
- (5) the inspector's written statements on the ATF 5030.5, the ATF 5700.14, or in the narrative, that he or she was unable to either correct or reconstruct the records during the inspection, and the inspector's indication the licensee agreed to comply with the regulations in the future.

In many inspection files we reviewed, the inspector simply wrote "immediately" or "ASAP" (as soon as possible) in the "date corrections to be made column" on the ATF 5030.5, the ATF 5700.14, or in the narrative. Without any other supporting statements or documents in the file, we could not accept this as evidence of corrective action. Also, for non-record keeping violations, we did not accept cases where the ATF inspector wrote the licensee agreed to do something, such as buy appropriate locks,

## AUDIT RESULTS

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have brush removed, or repair magazine, but failed to record completion dates.

Our review of inspection files at the three locations disclosed 311 violations. Table 1 shows the results of our review of the files for evidence of corrective action at the three area offices we visited.

Table 1. Number and Percentages of Violations Not Corrected by Area Office Location

<u>Area Office</u>	<u>Number of Violations</u>	<u>No Evidence Violations Corrected</u>	<u>Percentage No Evidence Violations Corrected</u>
Dallas	80	25	31
Lansdale	76	19	25
Portland	155	31	20
<b>Totals</b>	311	75	24

### ATF Inspectors Did Not Follow Guidance on ATF Form 5030.5

ATF inspectors did not follow guidance for documenting explosives violations on ATF 5030.5. At the three area offices we reviewed, ATF inspectors either did not (1) document significant violations on an ATF 5030.5, or (2) fill out the ATF 5030.5 completely.

Chapter E, Section 98, of the handbook states the inspector should prepare an ATF 5030.5 to document all significant explosives violations disclosed during the inspection. Chapter I, Section 197 b.(1) of the handbook further defines significant violations as those that pose a potential threat to the public safety. The form should be prepared and distributed in accordance with the instructions on the reverse side of the form.

ATF's procedures to issue an ATF 5030.5 serve a specific purpose. It places the licensee/permittee on notice that a violation (non-compliance with explosives regulations) has occurred and specifies what corrective action is to take place and when. Failure to document these violations may allow violations to go uncorrected. The ATF 5030.5 may also be used to support any future administrative or criminal proceeding, if warranted.

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On the ATF 5030.5, under the section, "Inspection Results," the inspector must record the *United States Code* or *Code of Federal Regulations* citation, nature of the violation, and the corrective action to be taken, with the date corrections are to be made (if not corrected immediately). The last two items are the most important because they specify the action the proprietor needs to take to be in compliance, and hold the proprietor to a specified completion date. When corrective action can not be taken during an inspection, proprietors are supposed to return the suspense copy of the ATF Form 5030.5<sup>6</sup> to the area supervisor as soon as the corrections have been made.

### ATF 5030.5 Not Issued

Of the 75 violations with no support for corrective action, we found that inspectors did not issue an ATF 5030.5 for 40 of them, or 53 percent. Thus for these 40, ATF did not document the corrective action the proprietor needed to take, or specify a corrective action deadline.

To determine whether ATF documented all significant explosives violations, we reviewed the documentation contained in the licensee/permittee inspection files. These documents included the ATF 5700.14, a written narrative report (if the inspector prepared one), other documents and correspondence in the inspection file. If any of these documents indicated the inspector detected a violation, we then determined whether the inspector documented the violation on an ATF 5030.5.

We discussed this issue with some inspectors at the Portland area office to find out why this was happening. One inspector said his office tends to be less formal than other offices with issuance of the ATF 5030.5. In Portland, for example, instead of documenting violations on the ATF 5030.5, the inspectors allowed the licensee/permittee to mail a corrective action letter to the area office detailing the actions the licensee/permittee took to correct violations identified during the inspection.

Another Portland inspector said the region Portland covers is home to a number of anti-government groups. According to the inspector, these groups are very apprehensive about government intervention. The

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<sup>6</sup> Inspectors prepare ATF Form 5030.5 in quadruplicate. Part IV is the suspense copy.



## AUDIT RESULTS

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inspector believed it was easier to get the licensees/permittees to comply with less “government formality” (i.e., without issuing an ATF 5030.5).

### ATF 5030.5 Not Completed

We also found even when ATF did issue an ATF 5030.5, it was not always completed. When corrective action is not completed at the time of inspection, the inspector should record the corrective action to be taken, and the date the corrective action is to be completed, on the form. We found the inspectors were generally not doing this.

Specifically, for the 35 violations where there was no support of corrective action and where ATF issued an ATF 5030.5, the inspector included a specific corrective action and completion date only four times. Table 2 summarizes the data recorded on the ATF 5030.5 for the 35 violations with no evidence supporting corrective action.

Table 2. Summary of Information Inspectors Recorded on the ATF 5030.5 for the 35 Unsupported Corrective Actions

Number of Violations With No Support of Correction	Corrective Action Specified?	Corrective Action Date Given?
4	YES	YES
21	YES	NO
7	NO	NO
3	NO	YES

As can be seen in the table above, the inspectors did not always include a specific corrective action date in 28 of the 35, or 80 percent, of the violations. Of this 28, 10 had no date at all, 17 merely had either the word “immediately” or “ASAP,” and one had “when obtained.” For 7 of these 28 violations, the inspector did not write either the corrective action to be taken or the date the correction was to be made.

### Supervisors Not Ensuring Inspectors Fill Out Proper Paperwork

Ensuring inspection file documentation is complete and all outstanding violations are resolved should be the responsibility of the area office supervisor or other supervisory inspectors who sign the ATF 5700.14. In these 75 violations, the supervisors signed the

## AUDIT RESULTS

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form ATF 5700.14 without any evidence of corrective action.

Area office supervisors are apparently either not fully aware of the specific documentation that should be in each inspection file or are not concerned with ensuring its presence. We believe it is important for supervisors to ensure inspection file documentation is complete, including evidence documenting the licensee/permittee completed corrective actions.

Supervisory assurance that inspection file documentation is complete increases the probability that the licensee/permittee will correct reported violations more timely.

### Significance of the 75 Unsupported Corrective Actions

Most of the 75 violations in which the completion of corrective action was unsupported were also significant in nature, in that they constituted a threat to the public safety. ATF has defined public safety violations as all storage violations and record keeping violations which either hinder the ability to trace explosives or do not accurately reflect explosives inventories. Table 3 shows a breakdown of the unsupported corrective actions by type of violation:

Table 3: Categories of Unsupported Corrective Action  
by Type of Violation

<u>Type of Violation</u>	<u>Portland</u>	<u>Dallas</u>	<u>Lansdale</u>	<u>Total</u>	<u>Percentage</u>
<b>Administrative</b>	0	1	0	1	1
<b>Conduct of Business</b>	1	2	0	3	4
<b>Record keeping</b>	11	12	9	32	43
<b>Storage</b>	19	10	10	39	52
<b>Total</b>	31	25	19	75	100

At least 39 of the 75 were significant because they were storage violations. Of the 32 record keeping violations, 18, or 56 percent, were significant, as they represented violations of 27 CFR 55.127, failure to adequately maintain a *Daily Summary of Magazine Transactions* (DSMT).<sup>4</sup> Failure to maintain a DSMT could prevent the inspector from determining whether other serious violations

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<sup>7</sup> The Daily Summary of Magazine Transactions is a record keeping requirement of 27 CFR 55.127. This summary records all quantities of explosives received in and removed from, and the total on hand at the end of the day, for each explosives magazine. A magazine is any building or structure, other than an explosives manufacturing building, used for storage of explosives materials.

## AUDIT RESULTS

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occurred, such as whether the licensee violated the *Table of Distances*<sup>5</sup> at any time during the year, or whether any explosives were stolen. While the licensee may be in compliance with the *Table of Distances* at the time of inspection, the inspector relies on the licensee's records to determine whether the licensee exceeded the limits at any period covered by the inspection. Thus, failure to have adequate explosives records hinders ATF's ability to effectively ensure the public's safety.

### **Potential for Risks to Public Safety Continuing Longer than Necessary**

Regarding corrective actions not completed at the time of inspection, several ATF inspectors told us they lacked the time to do follow-up. ATF's area offices are responsible for conducting annual inspections at a large number of licensees/permittees which are spread out over a wide geographic area. High-volume, multi-faceted inspection workloads, coupled with remotely located licensees/permittees, contributes to inspectors inability to follow-up on corrective activity. In fact, inspectors admitted they often relied on the next year's inspection to perform the follow-up.

Of the 75 violations with no evidence of corrective action, ATF detected 36 in 1997 and 39 in 1998. For those licensees and permittees who had violations in 1997, we examined 1998 inspection reports to determine whether the violation continued to exist. We noted the licensees and permittees associated with 19 of 36 violations in 1997 were not inspected in 1998.

In addition, we found inspectors generally did not make any reference to prior year violations. Specifically, for the licensees or permittees who were inspected in 1998, we found the inspector had mentioned a prior year's violation only once. In this instance, the inspector noted the violation still existed. Because of this, and since the 1998 inspection reports failed to contain any evidence the licensee or permittee corrected the 1997 violations, we were generally unable to determine whether the licensees corrected the violations or if the inspector thought the problems no longer continued to be significant.

We were also unable to determine whether the violations the inspectors detected in 1998 continued in 1999 because, at the time of

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<sup>5</sup> The Table of Distances, documented in 27 CFR 55.218, is a table showing the amount of explosives that may be stored in a magazine relative to distances from inhabited buildings, public highways, passenger railways, as well as, separation between magazines.

## AUDIT RESULTS

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our field work, the 1999 compliance inspections were either not completed or were yet to be filed in the licensee/permittee inspection files.

We recognize ATF may, in some circumstances, have to rely on the following year's inspections to determine whether licensees and permittees completed corrective actions. However, when this occurs, ATF should ensure the licensee or permittee returns the suspense copy of the ATF 5030.5 or provides other evidence that correction has taken place. When ATF conducts the next inspection, the inspector should then certify whether the licensee or permittee corrected the prior year's violation.

As an example of how important this is, in the narrative of one inspection we reviewed, the inspector noted the licensee had stored explosives in the same magazine as detonators. This is a violation of 27 CFR 55.213. The licensee said he put the explosives in the cap magazine because the magazine had excess space. Further, he "meant to get those out of the cap magazine before you got here." This licensee's statement insinuates a licensee may only take corrective action when it is known that ATF is coming. Thus, if a licensee believes ATF will not be back for at least 6 months to a year later, he or she might not make corrective action a top priority.

We question the effectiveness of ATF's explosives compliance inspections when there is no evidence of corrective action. One of ATF's missions is to ensure public safety and protect the public. Timely resolution of violations is significant. Unresolved storage and other explosives violations which remain uncorrected for any prolonged period of time significantly increases the threat to public safety.

## **ABBREVIATIONS**

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ATF	Bureau of Alcohol, Tobacco and Firearms
DSMT	Daily Summary of Magazine Transactions
FY	Fiscal Year
SPC	Special Project Codes

## MANAGEMENT RESPONSE

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DIRECTOR

DEPARTMENT OF THE TREASURY  
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS  
WASHINGTON, D.C. 20226

APR 26 2000

902030:WJO  
5400

MEMORANDUM FOR: Assistant Inspector General  
for Audit

FROM: Director

SUBJECT: Draft Audit Report on the Bureau of  
Alcohol, Tobacco and Firearms  
Explosives Inspection Program

This is in response to the subject draft report prepared by Treasury Office of Inspector General (OIG) regarding the Bureau of Alcohol, Tobacco and Firearms (ATF) Explosives Inspection Program.

**Finding 1. ATF did not always effectively ensure licensees/permittees completed corrective actions.**

**1-1. Ensure inspectors document all significant explosives violations on ATF Form 5030.5, Report of Violations, in accordance with the Regulatory Enforcement Inspector Handbook, Chapter E, Section 98.**

AND;

**1-2. Ensure inspectors specify the corrective action to be taken and the date action is to be completed on the ATF 5030.5.**

ATF inspectors will document all significant violations in accordance with ATF directives and guidelines. On April 19, 2000, we received from OIG a

## MANAGEMENT RESPONSE

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Assistant Inspector General for Audit

list of inspections containing improperly documented corrective actions. We intend to conduct an internal review of these cases to further assess shortcomings and problem areas. We will forward a memorandum to all field offices containing guidance on procedures for proper completion of ATF F 5030.5, as well as a reference to the Inspector's Handbook.

**1-3. Provide training to area office supervisors to ensure they properly review inspection reports.**

We are tasking an inter-directorate group with developing training for area supervisors on report content and review for all of ATF's regulated industries. This group is composed of representatives from the Office of Alcohol and Tobacco; the Office of Firearms, Explosives and Arson; and the Office of Training and Professional Development.

**Additional Comments**

In a meeting on September 9, 1999, ATF requested from OIG officials a list of the inspection reports reviewed by the OIG auditors. Pursuant to a subsequent request, ATF received the list on April 19, 2000. We intend to review the inspectors' reports, workplans, and workpapers, as well as ATF F 5030.5, in order to better assess the OIG recommendations and provide appropriate guidance on documentation to our field personnel.

  
Bradley A. Buckles

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Budget Examiner