



DEPARTMENT OF THE TREASURY
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OFAC Settles with Alliance Steel, Inc. for \$435,003 with Respect to Potential Civil Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations

Alliance Steel, Inc. (“Alliance”), a designer and manufacturer of prefabricated steel structures based in Oklahoma City, Oklahoma, has agreed to pay \$435,003 to settle its potential civil liability for 61 apparent violations of OFAC regulations related to its importation of engineering services from an Iranian engineering company. Alliance maintained an ongoing business relationship with the Iranian company over a period of approximately five years. This settlement amount reflects OFAC’s determination that Alliance’s conduct was non-egregious and voluntarily self-disclosed, and further reflects Alliance’s remedial response and cooperation with OFAC throughout this investigation.

Description of the Conduct Leading to the Apparent Violations

Alliance describes itself as principally a domestic business—Alliance sells its products exclusively to domestic consumers, does not export goods or services, and does not market itself outside the United States. Nevertheless, from on or about October 1, 2013 to on or about October 22, 2018, Alliance appears to have violated §§ 560.201 and 560.206 of the Iranian Transactions and Sanctions Regulations (“ITSR”) on at least 61 occasions by engaging with an Iranian engineering company for the importation of Iranian-origin engineering services (collectively referred to hereafter as the “Apparent Violations”).

During the time period in which the Apparent Violations occurred, Alliance conducted the majority of its engineering work internally. When demand for engineering services exceeded Alliance’s available resources, however, Alliance outsourced the remaining work to third-party subcontractors. This process was overseen by a senior Alliance employee serving as the company’s Chief Engineer and Vice President of Engineering. At his direction, Alliance outsourced a significant portion of its engineering work to an Iranian engineering company that was owned by his brother. The total amount that Alliance paid to the Iranian company during the relevant time period is approximately \$1,450,008.

Although the VP of Engineering initiated and oversaw these transactions, at least 12 other members of Alliance senior management had actual knowledge that these transactions were taking place, and that the subcontractor was an Iranian company. Moreover, numerous senior Alliance officials were involved in the process of approving each transaction and issuing checks to the Iranian engineering company. Alliance asserts that, because the company otherwise operates entirely within the United States, these management officials were “not attuned to the laws and regulations administered by OFAC.” Alliance asserts that its lack of familiarity with U.S. sanctions requirements caused its management to allow the Apparent Violations to continue until a new Chief Executive Officer was hired in October 2018.

After its new management learned of the Apparent Violations, Alliance halted all work with the Iranian engineering company and took a number of remedial steps to institute risk-based controls and prevent the recurrence of such conduct.

Penalty Calculations and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter is \$17,335,192. OFAC determined that Alliance voluntarily self-disclosed the Apparent Violations and that the Apparent Violations constitute a non-egregious case. Accordingly, under OFAC's Economic Sanctions Enforcement Guidelines ("Enforcement Guidelines"), the base civil monetary penalty amount applicable in this matter is \$725,004.

The settlement amount of \$435,003 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

OFAC determined the following to be **aggravating factors**:

- (1) Alliance failed to exercise a minimal degree of caution or care by failing to conduct basic due diligence regarding transactions with an Iranian company, which was its only international business relationship at the time;
- (2) Alliance senior management had actual knowledge that Alliance was outsourcing work to an Iranian company, while numerous senior Alliance officials were responsible for approving invoices and issuing checks to the Iranian engineering company; and
- (3) Alliance harmed the objectives of the Iran sanctions program by maintaining an ongoing business relationship with an Iranian company for over at least five years that conferred more than \$1 million in benefits to Iran.

OFAC determined the following to be **mitigating factors**:

- (1) Alliance did not receive a Penalty Notice or Finding of Violation from OFAC in the five years preceding the earliest date of the transactions giving rise to the Apparent Violations;
- (2) Alliance voluntarily self-disclosed the Apparent Violations to OFAC, and cooperated with OFAC's investigation by providing detailed information in a well-organized and timely manner; and
- (3) Alliance took remedial measures, including:
 - Alliance terminated ongoing work with the Iranian engineering company and ceased all payments to the company pending further review;
 - Alliance terminated the employee who initiated and oversaw these transactions; and

- Alliance developed and implemented an export compliance policy requiring, among other things, that management provide training for staff and that international contracting opportunities be approved by the company's president.

Compliance Considerations

This enforcement action demonstrates the importance of developing and maintaining effective, risk-based sanctions compliance controls, even for companies operating predominantly within the United States. U.S. companies can risk violating OFAC regulations if they undertake even isolated or sporadic international business or contracting activities, and do not conduct basic regulatory diligence or have adequate personnel or policies to comply with U.S. sanctions requirements. It is particularly important for U.S. businesses to understand the sanctions risks attendant to doing business in comprehensively sanctioned jurisdictions such as Iran. Moreover, this enforcement action demonstrates the need to train and enable staff—including senior management—to identify and address potential violations of U.S. sanctions.

OFAC Enforcement and Compliance Resources

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) in order to provide organizations subject to U.S. jurisdiction, as well as foreign entities that conduct business in or with the United States or U.S. persons, or that source goods or services from the United States, with OFAC's perspective on the essential components of a sanctions compliance program. The *Framework* also outlines how OFAC may incorporate these components into its evaluation of apparent violations and resolution of investigations resulting in settlements. The *Framework* includes an appendix that offers a brief analysis of some of the root causes of apparent violations of U.S. economic and trade sanctions programs OFAC has identified during its investigative process.

Information concerning the civil penalties process can be found in the OFAC regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. These references, as well as recent final civil penalties and enforcement information, can be found on OFAC's website at <https://home.treasury.gov/policy-issues/financial-sanctions/civil-penalties-and-enforcement-information>.

For more information regarding OFAC regulations, please go to: <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information>.