

Office of the  
Internal Auditor

# ENGAGEMENT REPORT

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Office of Foreign Assets  
Control (OFAC)



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## Executive Summary

### Background

The Office of Foreign Assets Control (OFAC), a division of the U.S. Department of the Treasury, is responsible for administering and enforcing economic and trade sanctions against individuals and entities that threaten the national security, foreign policy, or economy of the United States.

To comply with OFAC requirements, organizations, including insurance companies, must exercise due diligence in checking the specially designated nationals (SDN) list to ensure that they are not conducting business with sanctioned individuals or entities. At Citizens, the Financial Compliance & Controls (FC&C) unit is responsible for overseeing conformity with OFAC regulations. Noncompliance can result in substantial fines, reputational harm, and potential criminal charges.

This engagement follows up on a 2020 audit that recommended enhancing OFAC-related processes and controls. The previous audit's recommendations included expanding screening practices and developing a sanctions compliance program.

### Objectives and Scope

The objective of this audit was to assess OFAC compliance procedures to determine whether prior recommendations were implemented and whether the program operates effectively. The scope of the review included:

- Alignment of current processes and procedures with OFAC frameworks and guidance.
- Management's oversight, roles, and responsibilities in achieving OFAC compliance.
- Evaluation of the OFAC screening solution.
- Alert management and processing, including timeliness and quality of alert resolution.
- Record-keeping and reporting activities.

### Engagement Results

**Positive Practices:** Our review noted several favorable practices that demonstrate a strong commitment to complying with OFAC regulations:

- **OFAC Procedures Manual** - The FC&C unit developed a comprehensive manual addressing key components, including governance, screening, periodic data scrubbing, and alert management.
- **Screening Automation** - Citizens utilizes Bridger Insight, a LexisNexis solution, to perform due diligence screenings of individuals and entities at specific points in the transactional process, such as policy inception or renewal, claims, and vendor payments.
- **Periodic Screening** - Management has implemented a schedule for manual data uploads and periodic scrubbing. In 2023, these efforts identified a positive match that was appropriately managed in accordance with established procedures and OFAC requirements.

**Test Results:** Internal Audit reviewed alerts processed by FC&C between July 1, 2023, and June 30, 2024. All alerts generated by Bridger Insight, whether through automated processes or from periodic screening practices, were managed and properly documented pursuant to established guidelines. The following was noticed:

- **Data Transfer Failures** - At the start of this engagement, FC&C self-reported issues with automated data transfers to Bridger Insight. Specifically, there were instances where data calls failed to communicate with Bridger Insight, or no feedback was received from the



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platform. After reviewing all instances, FC&C confirmed that none of these instances involved SDN matches.

Although this issue was self-reported, and Internal Audit tested the “no feedback” scenario under the claims OFAC workflow finding no exceptions, we have deemed it a critical item that requires prompt attention particularly for claims-related payments as they must be screened promptly to meet statutory and regulatory requirements for payment timeliness.

While IT related issues will be further evaluated during the IT General Controls engagement in Q2 2025, FC&C retains primary responsibility for ensuring data is successfully transferred between internal systems and the screening solution.

To address this, FC&C must collaborate with the corresponding business analysts to develop an appropriate control or validation procedure that ensures that if any data call breaks or instances of unscreened claims occur, they are quickly resolved. Regular testing and validation of these controls should be conducted to uphold OFAC compliance obligations.

Internal Audit is cognizant that this situation may require temporary measures or controls for the current Insurance Business Suite solution, which is currently in the process of migrating to a cloud-based platform. We do note that FC&C is in the process of developing a dashboard to monitor data calls on a real-time basis. This is being done through Financial Services Product Management. In addition, FC&C is developing a QA procedure to periodically review data for completeness.

**Recommended Opportunities for Improvement:** To strengthen the reliability and consistency of the OFAC compliance process, the following actions are recommended:

- **Version Control for OFAC Procedures Manual:** Internal Audit identified that multiple versions of the OFAC Procedures Manual were disseminated without clear version history or upfront clarification. This practice risks confusion, errors, and inefficiencies. Management should incorporate a version history section into the manual and ensure clarity when updated versions are shared.
- **Education Component for OFAC Procedures Manual:** An OFAC Compliance program is predicated on five essential components, one of which is “Training.” Management should outline training requirements to ensure staff remain updated on sanctions regulations.
- **Participation in Guidewire Migration:** Citizens is in the process of migrating Guidewire’s Insurance Suite to a new cloud platform, expected to launch later in 2025. It is imperative that FC&C actively participates in the migration process to ensure appropriate controls are established to prevent and mitigate data call failures and avoid unscreened instances. FC&C should ensure its involvement in the Guidewire migration process to establish robust screening mechanisms and mitigate potential data transfer risks.

### Conclusion

Management has demonstrated commitment to OFAC compliance through established processes and favorable practices. However, the identified data transfer failures represent an issue that requires attention. Addressing these concerns and implementing the above-recommended improvements will further enhance the effectiveness and reliability of the OFAC compliance process.

We thank management and staff for their cooperation and professional courtesy during the audit.



## Detailed Findings

### Data Transfer Failures

Classification	Medium	Control Evaluation	Control not working as intended
Observation	<p>FC&amp;C identified and reported a known area of concern related to breaks in the automated data calls between internal systems and its interdiction solution, Bridger Insight. For various reasons, known instances of communication breaks occurred between May and July 2024 and in one instance, one claim failed to process through Bridger Insight.</p> <p>Internal Audit noted that no control procedure is in place to ensure that data is effectively transmitted from all relevant data sources to and from Bridger Insight. However, our review of the claims payment screening process and the associated workflow did not identify any other missed instances where data was not transferred correctly.</p> <p>FC&amp;C confirmed that it noted the reasons for the control failure and is developing controls. Finance management is also considering implementing a Quality Control procedure to review data for completeness periodically.</p>		
Cause(s)	System breaks were attributed to Jitterbit integration in Q2 2024, as reported by FC&C who have not implemented a control procedure to ensure complete data transfer.		
Exposure	Transactions with sanctioned individuals or entities could carry fines, reputational damage, and criminal charges.		
Agreed Plan	<p>Management should conduct the following:</p> <ol style="list-style-type: none"> <li>1. Meet and confer with the Claims Vendor and System Management to develop a temporary mitigation process for the current Insurance Suite.</li> <li>2. Actively participate in the design, development, and implementation of the OFAC workflow and data call process for the cloud-based Insurance Suite currently in development, ensuring appropriate controls and alerts are in place.</li> </ol>		
Responsible Individual	Michael Walton, Director Financial Compliance & Controls	Completion Date	May 30, 2025



## Distribution

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The Honorable John Guard, Acting Attorney General  
The Honorable Wilton Simpson, Commissioner of Agriculture  
The Honorable Ben Albritton, President of the Senate  
The Honorable Daniel Perez, Speaker of the House of Representatives

The External Auditor

*Completed by Juan Carlos Rivera, Internal Audit Manager. Under the Direction of Joe Martins, Chief of Internal Audit*