

# ERO DUE DILIGENCE CHECKLIST

For Independent Electronic Return Originators — Annual Compliance Review

Provided by BCS Tax Software Company, LLC

(NOTE: This is the ERO checklist, NOT the taxpayer-facing Form 8867 due diligence checklist. EROs use this internally to verify their own compliance posture.)

## **Business Information**

ERO / Business Name: \_\_\_\_\_

EFIN: \_\_\_\_\_

Tax Year Reviewed: \_\_\_\_\_

Review Date: \_\_\_\_\_

## **1. EFIN & PTIN Compliance**

- EFIN is active and in good standing with IRS e-Services
- All preparers operating under this EFIN have valid, active PTINs
- EFIN Application Summary printed and on file (current year)
- Annual EFIN verification submitted by November 15
- No IRS suspensions, denials, or sanctions since last review
- All sub-EFINs (if any) registered with BCS Tax Software Company

## **2. Software & Vendor Compliance**

- Using only IRS-authorized e-file software
- Operating system and browser meet vendor's published minimum requirements
- All security/critical software updates applied within 5 business days of release
- No use of unauthorized third-party tax software during the tax season

- Approved bank product providers only (Republic Bank, Refund Advantage, TPG, or as approved by Company)

### **3. Bank Product Handling**

- 150 minimum Federal Funded Bank Products processed (or shortfall fee paid per Section 39 of ERO Agreement)
- Disbursement options offered match Exhibit A of ERO Agreement
- All bank product fees collected before transmission
- No prohibited fee-splitting or kickback arrangements
- Uniform fee disclosure complied with for AR, CT, IL, MD, ME, NJ, NY

### **4. Data Security Compliance (per WISP)**

- Written Information Security Plan (WISP) on file and current within 12 months
- Multi-Factor Authentication enabled on all systems with customer data
- Annual security training completed by all personnel — records retained
- Annual penetration test or continuous monitoring performed
- Designated Qualified Individual on file with Company
- Encryption verified for data at rest and in transit
- Annual report submitted to governing body / sole proprietor self-attestation

### **5. Insurance Compliance**

- Professional Liability / E&O Insurance: \$1M / \$2M minimums (mandatory per Agreement §18.d)
- Certificate of Insurance on file and current
- Cyber Liability \$1M (recommended) — in force
- Commercial General Liability \$1M (recommended) — in force

### **6. State & Federal Registrations**

- State preparer registration current (CTEC, NY, MD, OR, CT, etc. as applicable)
- Business license / DBA current in operating state(s)
- BOI report filed with FinCEN (if required under Corporate Transparency Act)
- Registered agent on file with state of formation

## **7. Records Retention**

- All return-related records retained minimum 3 years
- All Form 8867 due-diligence records retained per IRC §6695(g)
- WISP records, training logs, and access logs retained 3 years minimum
- Secure storage for all retained records (locked / encrypted)

## **8. Audit Readiness**

- Can produce 25 random returns from prior season within 5 business days if requested
- Can produce all signed taxpayer consent forms (IRC §7216) on demand
- Financial records audit-ready (Section 10.4 of Agreement)
- Bank product reconciliation complete and matches IRS records

## **9. Training & Recertification**

- Annual BCS training course completed by October 31
- Passed assessment with minimum 80% score
- Recertification fee paid by May 1 (or qualified for free recert with 500+ funded BPs)
- IRS Annual Filing Season Program participation (if applicable)

## **10. Issues / Open Items / Action Plan**

List any items not checked above and the plan to remediate, with target date:

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*Disclaimer: This checklist is provided for the ERO's internal use to verify compliance with the BCS ERO Agreement and applicable IRS / FTC / state regulations. It is not a substitute for legal advice. EROs are encouraged to consult qualified counsel for any compliance question.*