Homework Worksheet + Answer Key

Due Diligence, Ethics & Data Security

Choose the best answer for each question. Complete the worksheet before reviewing the answer key.

Student Information

Name: ________________________________ Date: ____________________

1. Paid-preparer due diligence applies to which items?

A. Only EITC

B. EITC, CTC/ACTC/ODC, AOTC, and Head of Household

C. Only filing status

D. Every tax form

2. Which is one of the four due-diligence duties?

A. Guarantee the refund

B. Complete and submit Form 8867 when required

C. Accept every statement without questions

D. Keep no interview notes

3. What is Form 8867?

A. A substitute for interviewing the taxpayer

B. Evidence of the due-diligence process

C. A software license

D. A refund authorization

4. For returns or claims filed in 2026, what penalty does the lesson state for each due-diligence failure?

A. $65

B. $260

C. $650

D. $2,600

5. When information appears incorrect, inconsistent, or incomplete, what should the preparer do?

A. Ignore it

B. Ask reasonable follow-up questions and document answers

C. Create an estimate

D. Delete the item

6. A taxpayer reports $8,000 cash self-employment income, no expenses, and requests EITC. What is the best response?

A. Create more income

B. Ask about the work, customers, payment tracking, expenses, and household support

C. Accept it automatically

D. Remove the children

7. Which action is ethical?

A. Hide fees until filing

B. Disclose fees before preparation begins

C. Direct refunds to the preparer's personal account

D. Advertise guaranteed refunds

8. When should a preparer stop and escalate a return?

A. When facts remain unclear or fabricated entries are requested

B. Whenever the refund is small

C. Whenever a client asks a question

D. Only after filing

9. What is a WISP?

A. Written Information Security Plan

B. Worker Income Security Program

C. Web Identity Safety Protocol

D. Written IRS Software Permission

10. What should a WISP address?

A. Only passwords

B. Responsible personnel, risks, safeguards, service providers, incident response, and review

C. Only paper files

D. Only advertising

11. Which is a minimum security practice?

A. One shared login for staff

B. Multi-factor authentication

C. Sending Social Security cards by social media

D. Storing files in a personal photo library

12. Which document-sharing method is preferred for sensitive client records?

A. Ordinary text message

B. Public social media

C. Secure portal

D. Personal photo album

13. Which can be a warning sign of identity theft or a data incident?

A. Expected e-file acceptance

B. Unfamiliar returns associated with the EFIN

C. Routine training

D. A normal password login

14. If taxpayer data may have been compromised, what IRS contact does the lesson identify?

A. Local Stakeholder Liaison

B. Any bank teller

C. Software salesperson

D. Postal carrier

15. What should a firm do with a known compromised device?

A. Continue using it

B. Do not continue using it; follow the incident-response plan

C. Share it with staff

D. Ignore the issue

16. Why can 'everything is kept for three years' be an incomplete retention policy?

A. Different records may have different required retention periods

B. No records need retention

C. All records must be kept forever

D. Only paper records matter

17. Which is a useful quality-control measure?

A. No staff training

B. Return-review checklists

C. Shared passwords

D. Ignoring rejected returns

18. What should a firm be able to determine for every return?

A. Only the client's refund

B. Who prepared, reviewed, transmitted, and changed it

C. Only who paid the fee

D. Only which computer printed it

Answer Key

Check your answers after completing the worksheet.

1. B — EITC, CTC/ACTC/ODC, AOTC, and Head of Household

2. B — Complete and submit Form 8867 when required

3. B — Evidence of the due-diligence process

4. C — $650

5. B — Ask reasonable follow-up questions and document answers

6. B — Ask about the work, customers, payment tracking, expenses, and household support

7. B — Disclose fees before preparation begins

8. A — When facts remain unclear or fabricated entries are requested

9. A — Written Information Security Plan

10. B — Responsible personnel, risks, safeguards, service providers, incident response, and review

11. B — Multi-factor authentication

12. C — Secure portal

13. B — Unfamiliar returns associated with the EFIN

14. A — Local Stakeholder Liaison

15. B — Do not continue using it; follow the incident-response plan

16. A — Different records may have different required retention periods

17. B — Return-review checklists

18. B — Who prepared, reviewed, transmitted, and changed it