

Qualified Intermediary Case Study

Helping a client to remediate the IRS QI Periodic Review findings and strengthen their internal processes and procedures to meet the complex standards of the QI agreement.

Challenge

Following a Periodic Review of Qualified Intermediary (“QI”) processes, our client was served with a penalty notice from the IRS based on the failure to maintain robust procedures resulting in incorrect withholding and reporting of US tax.

This triggered a short window within which the QI needed to formally respond (90 days)

and remediate the compliance, withholding and reporting failures.

Importantly, procedures and controls needed to be improved immediately to avoid repeated failures and mitigate the financial and reputational risks associated with these.

Solution

We identified the root cause of the issue and implemented controls to achieve accurate reporting and reconciliation of withholding tax pools.



Our teams resolved this for the QI, including refile amended 1042-S and 1042 returns with the IRS.



By recommending a more efficient process for upstream withholding tax pools, the QI reduced the number of internal adjustments and further simplified their reconciliation process.



We provided training and updated procedures for the QI's Operations and Reporting teams so they would be able to maintain accurate reports themselves.



We implemented more regular Quality Assurance and Health Checks to support these new procedures and act as an early detection system for any future issues.

Outcomes

01

All previous reporting was remediated to the satisfaction of the IRS resulting in a withholding tax refund that contributed to the cost of paying the penalty.

02

Improved Governance and Controls to support the procedural changes.

03

Mitigated financial and reputational risks resulting in a clean bill of health for the QI going forwards.

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